

**Key-Account-Management in Business Markets:
An Empirical Test of 'Theoretical Wisdom' and 'Common Wisdom'**

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Abstract

This paper presents the results of an empirical study conducted among 297 purchasing managers in two industries (packaging goods, market research data) in which some core assumptions about key account management programs – partially theoretically grounded and partially ‘common wisdom’ - are being tested. This study is part of a larger research project. The present paper contains the second set of analyses completing results presented at the 19th IMP conference in Lugano (Ivens and Pardo 2003).

Introduction

As a reaction to changes in environmental factors, in their customers' purchasing behaviors and demands, and in their own strategies, many suppliers in the business-to-business field have introduced key account management (KAM) programs. The aim of these programs is to serve strategically important customers in a more individual manner than minor accounts (Pardo 1997, 1999; Workman, Homburg and Jensen 2003).

Reflecting the increasing practical importance of key account management, marketing has developed an important body of literature that deals with various aspects of key account programs (Weilbaker and Weeks 1997, Homburg, Workman and Jensen 2002). However, the explicit theoretical foundation of the extant key account literature is not always strong. Everything goes as if a ‘common wisdom’ - upon which many arguments relied upon - was implicitly shared among scholars working on this topic. Even when authors draw upon theoretical frameworks (such as power-dependence theory or transaction cost analysis), empirical tests are more often called upon in the “further research”- section than conducted in the field.

An issue remaining particularly opaque is the question to what extent key account relationships can be clearly distinguished from ‘normal’ buyer-seller relationships. Many authors posit differences without providing empirical evidence. In fact, studies opposing key account dyads to non key account dyads are extremely rare. Our main purpose in this paper is to compare both types of relationships on a selected number of aspects which we derive partly

from ‘theoretical wisdom’ and partly from ‘common wisdom’ about key account management.

In the following section, we briefly present a description of the nature of key account management. Following this review, we develop a set of hypotheses. We then show the results of an empirical test conducted in two industries opposing 91 key account relationships to 206 traditional relationships. The final section contains a discussion of implications for key account theory and practice.

Key account management

Suppliers increasingly pay attention to the maintenance and enhancement of important customer relationships. This particular attention is often manifested by the establishment of key account programs (Kempeners and van der Hart 1999). However, the introduction of such a concept is not an end in itself. The suppliers’ overall objective is to occupy a marketplace position of competitive advantage (Hunt 2000).

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 and 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 KAM 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, key account management merges a specific organizational solution with the selection and prioritization of important customers. Hence, it integrates two categories of potential resources (Hunt 2000), customers and organizational structures and capabilities. Accordingly, Diller interprets key account management as a sales-oriented management concept comprising organizational as well as relational aspects (1992, p.239). Recently, Homburg, Workman and Jensen (2002) reformulated this vision indicating that key account management is "an area for marketing research because it builds a bridge between marketing organization and relationship marketing" (p.56). In order to increase the commitment of one valuable resource (the customer), a specific organizational solution (the key account management program) is created. It becomes a valuable resource, too, if it permits to reduce

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 (Shapiro and Moriarty 1984; Kempeners and van der Hart 1999; Jensen 2001; Workman, Homburg and Jensen 2003) and does not necessarily have to be implemented as a formal structure (Homburg, Workman, and Jensen 2002).

Despite the growing interest of scholars, the theoretical foundations of key account management are rather weak. Although it could be interpreted in the light of a variety of theoretical perspectives, an important part of the literature relies more on 'common wisdom', partly generated from early exploratory studies in the field, partly established by consultants. Our objective is to contribute to a stronger empirical foundation of assumptions made about key account relationships. For this purpose we draw upon, on the one hand, adequate theoretical perspectives, and, on the other, propositions about key account management relationships which have been made in the extant literature without an explicit theoretical deduction. We refer to the latter as key account 'common wisdom'.

Hypotheses

A theoretically grounded analysis of key account programs can draw on a large spectrum of alternative paradigms. Discussing interorganizational governance, Heide (1994) identifies three frameworks which are particularly relevant: resource dependence theory, transaction cost analysis, and relational contracting theory. Given that Ivens and Pardo (2003) have already examined differences between key account and non account relationships regarding the norms discussed in the latter framework, in this article we focus on the resource dependence and the transaction cost schools of thought. The aspects of key account management 'common wisdom' we study are derived from the extant literature.

Uncertainty

Transaction cost analysis (TCA) identifies two main dimensions along which exchanges can be described (Rindfleisch and Heide 1997). The first is the uncertainty surrounding transactions. The second is asset specificity. We'll use both dimensions to raise our first two hypotheses. What impact could key account management have on uncertainty? To answer this question, we suggest that a differentiated perspective is required. It has been argued that a too broad definition of uncertainty leads to conflicting results (Balakrishnan and Wernerfelt 1986). Thus, for the purpose of our study, we rely upon the TCA approach of uncertainty and isolate two forms of uncertainty: internal and external uncertainty.

- We define internal uncertainty as the difficulties a supplier meets in predicting a customer's future behavior in an ongoing relationship. Internal uncertainty is also called

"behavioral uncertainty" by Rindfleisch and Heide (1997) and defined as "*the difficulties in verifying whether compliance with established agreements has occurred*" (p.31).

- We interpret *external uncertainty* as a supplier's inability to forecast accurately the evolution of its own and its customers' downstream markets as well as of the environmental factors influencing those markets. This definition being no far from the one given by Heide (1994) for whom "*external uncertainty, is a property of the decision environment within which the exchange takes place*" and it is linked to the fact that "*relevant contingencies are too numerous or unpredictable to be specified ex ante*" (p.73). It is also called "environmental uncertainty" (Rindfleisch and Heide 1997) and explained by the fact that the "*circumstances surrounding an exchange cannot be specified ex ante*" (p.31)

Note that "internal" and "external" uncertainties differ from Hakansson, Johanson and Wootz's uncertainty trilogy: need, market and transaction uncertainty (Hakansson, Johanson and Wootz' 1977), and Ford *et al's* work on customer and supplier's uncertainty (Ford *et al.* 1998). We can now discuss what impact key account management may have on both external and internal uncertainties.

By implementing a key account management program, a supplier creates a new organizational solution which should better serve his customer's needs than beforehand. This implies higher satisfaction of customers' needs and leads to higher levels of commitment (Wilson and Mummalaneni 1986). Boles, Barksdale and Johnson (1996, p.7) also argue: "*Through their interaction with a buyer or buying team [key account managers] can increase the confidence in the supplier. This helps reduce uncertainty and increase trust*". Summarizing, the instauration of key account management should increase the customer's perceptions of the supplier's attractiveness and underpin the strength of mutual bonds. Hence, we can anticipate that the supplier perceives less internal risk than in a non key account (non-KA) relationship and we propose the following hypothesis:

*H_{1A}: In KA relationships, the **supplier perceives less internal uncertainty** than in non-KA relationships.*

A different causal relationship may be expected for external uncertainty. Williamson (1985) argues that firms seek to minimize transaction costs and that against this background - under conditions of environmental uncertainty – firms will move from market forms of governance toward hybrid forms or vertical integration. Although Rindfleisch and Heide (1997) show that empirical studies present only mixed support for this hypothesized effect, we would argue that key account management can be interpreted as a type of hybrid form of governance. As such, the implementation of a key account management program could be a supplier's reaction to his perceptions of external uncertainty. Hence:

H_{1B} : *In KA relationships, the **supplier** perceives **higher external uncertainty** than in non-KA relationships.*

Specific investments

A supplier implementing a key account management program wishes a long-term relationship with his customer. In this sense, he is encouraged to make relationship specific investments. Asset specificity is a dimension of exchange largely discussed in the transaction cost framework. It refers to the degree to which a supplier's investments represent sunk costs in case a customer terminates their relationship. For Workman, Homburg and Jensen (2003) key account management can be defined as "*additional activities, actors or resources*" directed to specific customers. Lambe and Spekman (1997, p.64), comparing key account relationships and alliances, describe the former as being relationships where "*buyer and seller share a relatively high level of dependence based on relationship-specific investments that elevate switching costs for both parties*". The specificity of what is done for a customer by a supplier implementing a key account management program seems to have always been at the really core of the definition of what is key account management. For instance, in one of the fundamental academic contributions on key account management, Stevenson and Page (1979, p.94) explained that key account management implies that "*special marketing procedures are followed*". On this basis, we propose the following hypothesis:

H_2 : *In KA relationships, the supplier's relationships **specific investments** are **higher***

Supplier dependence

By implementing a key account management program a supplier signals that a customer (the key account) is important to him. This importance can stem from various sources. Resource dependence theory (e.g. Pfeffer and Salancik 1978) posits that few organizations are internally self-sufficient with respect to their critical resources. Rather, they need to cooperate with partners disposing of resources critical for their success (Ulrich and Barney 1984). Key account management can be interpreted as a semiformal link a supplier attempts to create with a customer because he believes the customer to dispose of critical resources. The customer's reputation, his capacity and willingness to cooperate in R&D projects with the supplier, his ability to serve as a benchmarking partner are only some aspects that could make the customer a valuable resource, the list is much longer (Walter, Ritter and Gemünden 2001). Accordingly, from the vantage point of resource dependence theory the introduction of a key account management program is a possible response to a supplier's dependence on his

customer. We can then anticipate that the supplier's dependence is higher in KA relationships than in non-KA. Therefore:

*H₃: In KA relationships, the **supplier's dependence is higher** than in non-KA relationships.*

Formal contracts

The literature tends to indicate that when there is a high degree of uncertainty in an exchange situation, parties look for a formalization of the exchange. Sharma (1997) hypothesizes that "*higher levels of formalization [of the decision process] are associated with lower levels of preference for key account programs*" (p.31) and this hypothesis proves to be supported (p.32). On the basis of an empirical study, Workman, Homburg and Jensen (2003) conclude "*our results indicate that formalization of key account management programs actually reduces key account management effectiveness. Having a formalized program can impede flexibility and the ability to customize offerings to specific customers*" (p.14 and 15). These results are relatively counter-intuitive because as Workman, Homburg and Jensen (2003) note "*in marketing, effective effects of formalization have been empirically shown in the development of trust [...], in the context of structuring the marketing department, [and] conceptual frameworks for team selling have emphasized establishing procedures [...]*" (p.11).

On the other side, if we consider supplier's dependence to be higher in KA relationship (see hypothesis *H₃*) than in non-KA relationship a reverse hypothesis can be formulated. In the case where there is unilateral dependence, Heide (1994) empirically demonstrates that bilateral governance has less chance to be used to regulate exchanges. Then, governance will take either a unilateral or hierarchical form.

On the basis of such a divided opinion, we have to choose one perspective and decide to test the following hypothesis:

*H₄: In KA relationships, **contractual governance** is higher than in non KA relationships.*

Process coordination

Because key account management is a specific solution that is implemented in order to better serve the customers' needs, we can anticipate that the supplier internal coordination process is better in KA relationships than in non-KA ones. As a matter of fact, coordination seems to be regularly quoted as a characteristic attribute of key account management programs within companies. As Homburg, Workman, and Jensen (2002) note, "*one fundamental problem for sales managers is to obtain the cooperation of other organizational members without having*

formal authority over them" and *"support is needed for key account management from [...] diverse functional groups"* (page 45).

The authors explain that this supplier coordination is demanded by the key account as far as *"many buying firms have centralized their procurement and expect a similarly coordinated selling approach from their suppliers"* (p.38). Lambe and Spekman (1997) underline the *"ability to coordinate key personnel intra-firm"* of the key account manager (p.71). Shapiro and Moriarty (1984) note *"much of the [key account management] concept revolves around the coordination of all elements involved in dealing with the customer"* (Page 2). Workman, Homburg and Jensen (2003) argue that *"successful key account management requires the coordination of activities"* (p.10). Barrett (1986) underlines the role of key account program in minimizing conflicts and bettering communication between buyer and seller. He also puts into evidence the role of the key account team in bettering the process of coordination within the supplier organization *"the [key account] team, working in a well-coordinated fashion is able to "pull" the buying decision through the organization"* (p.69). Shapiro and Moriarty (1984) point out that *"much of the [key account management] concept [...] revolves around the coordination of all elements involved in dealing with the customer"* (p.2)

On the opposite, Stevenson (1981) cannot conclude, through his empirical survey that *"an advantage on [key account management] is improved internal seller coordination"* (p.121). Even if, as he recalls, *"normatively speaking, a reason for adopting a national account system is to improve internal coordination"* (p.122). He explains this result arguing on the time needed to attain such coordination: it needs time before key account management proves to better internal coordination.

On the basis of these different works, we chose to test the following hypothesis:

*H₅: In KA relationships customers perceive suppliers to **better coordinate processes** than in non KA relationships.*

Relationship duration

Time and more specifically relationship duration can be associated two-way to key account management. First, because companies often wait before attributing a KA status to a customer to be sure it requires a specific treatment, we can anticipate that, in KA relationships, the duration of the relationships is higher than in non-KA relationships. Second, we must also consider the fact that key account management programs are associated - in essence - with long-term perspective: they are implemented to stabilize and secure a relationship between a supplier and a customer.

In their work, Boles, Barksdale and Johnson (1996) show that key customers "*often face long time horizons associated with major purchases*" (p.14) and state that "*for this reason, the issues of keeping a long-term perspective [is] of relatively greater importance [than for] small accounts*" (p.14). For Millman and Wilson (1995), the development of a key account relationship can be modeled through a 6-stage process. They explain that before implementing a key account management program, the supplier must develop a network of contacts with the customer and gain knowledge about it. We can easily anticipate that these early stages of the key account management (or pre-key account management) process take time. Pardo, Salle et Spencer (1995) use the term "key accountization" to describe "*the process of adaptation of the organization with a view to managing exchanges with high stakes customers*" (p.127). Thus, the implementation of a key account program - as any organizational adaptation process - takes time. Moreover, a key account management program contributes to stabilize the relationship between a supplier and a customer. As Homburg, Workman and Jensen (2003) point out, the additional activities performed by the supplier for key account customers (what the authors call "activity intensity") "*can lead to customers wanting to maintain and deepen the relationships*" (p.8). Hence:

*H₆: In KA relationships, the **duration** of the relationships is **higher** than in non-KA relationships.*

Number of actors

One of the reasons why key account management programs are created is the complexity of customers' structure with many actors involved. Decision making processes within customer firms often include people from different hierarchical levels, different functions. Sharma (1997) in his work describing customers preferring key account management programs indicates that "*firms that use a multi-functional and multi-level form of decision making prefer key account programs*" (p.35). The author also hypothesizes in his work that "*higher numbers of people involved in decision making are associated with higher levels of preference for key account programs*" (p.31) and this hypothesis is supported (p.32). We follow his argumentation and anticipate that the number of actors involved – on the customer side – in the relationships is higher than in non-KA relationships. Therefore:

*H₇: In KA relationships, the **number of actors** involved – on the **customer side** – in the relationships is higher than in non-KA relationships.*

Customer turnover

The size of the customer (in terms of turnover) seems to have always been at the core of the definition of what a key customer is. Turnover is the most quoted criterion for attributing a

customer a KA status (Napolitano 1997). We can thus anticipate the fact that in KA relationships average turnover of customers is higher than in non-KA relationships. For instance Boles, Pilling and Goodwyn (1994) explain that a volume commitment is "*necessary to provide national account type service to a customer*" (p.268). Their survey proves that "*the first criterion for a firm being labeled a national account*" is volume of potential business and the second "*volume of past sales*" (p.270). Lambe and Spekman (1997) recalling Shapiro and Moriarty's works state that key account management programs are "*most likely to be formed when a customer is relatively large*" (p.62). Sharma's work (1997) shows that "*larger organizations preferred key account programs*" (p.35). For Barrett (1986), key account management "*simply means targeting the largest and most important customers [...]*" (p.64). Or further "*most companies established [key account programs] based on existing or potential dollar volume. This is the primary criteria established by companies*" (p.65). More than 20 years ago Stevenson (1980) basing himself on a set of previous works and communications raised the following hypothesis "[key account] *customers tend to exceed a threshold level of dollar volume of purchases*" and confirmed it. Tosdal (1950) quoted by Stevenson (1980) noted that the key account status "*was given to a firm which used a large quantity of [products]*" (Stevenson 1980, p.134). Lang (1973), also quoted by Stevenson (1980) noted that a key account customer should have "*large volume potential*" (Stevenson 180, p.134). Corbin and Corben quoted by Stevenson (1980) noted that key account management is needed due to "*bigger customer*" (Stevenson 1980, p.134). Previously Stevenson has had already put into evidence such a factor: "*findings tend to verify that large buyer size is a critical factor related to the use of national account marketing. Customers classified as national accounts are expected to exceed a minimum threshold level of purchase volume*" (Stevenson 1979, p.97). Hence we hypothesize:

H_8 : *In KA relationships, the **average turnover of customers is higher** than in non KA relationships.*

Price level

The relationship marketing literature suggests that companies can improve their profitability through the establishment of loyalty bonds with customers. Profitability can be impacted through cost reduction and revenue increase. Rosenberg and Czepiel (1984) argue that retaining customers is less expensive than competing for new ones, and Jacobs, Johnston and Kotchetova (2001) show that increasing customer loyalty has a positive effect on revenue. For Boles, Pilling and Goodwyn (1994) by implementing a key account management program a supplier can expect to "*increase margins based on the premise that major accounts will pay*

more for the value added by the holistic approach of [the key account program]" (p.26). Such increases can stem from different effects. An important driver of revenue and contribution margin is price. However, little research on the influence of relationship intensity on price level specifically exists.

On the opposite, Stevenson and Page (1979) expect that "*once a customer is designated a [key] account, it may [...] receive price [...] concessions*" (p.94). However, they have no empirical support for their hypothesis. But, there is nevertheless, a growing debate on the real profitability of long-term relationships, e.g. Reinartz and Kumar (2000 and 2002), Dowling and Uncles (1997), for the consumer goods markets; Naidu, Sheth and Westgate (1999), for the health sector. As Gopalakrishna Pillai and Sharma (2004) point out "*recent findings have cast doubt on some of the fundamental assumptions of relationship marketing theory. In fact, some research has suggested that transaction-oriented strategy may be more profitable for firms*" (page 643).

In any case, one could also argue that suppliers who manage to satisfy their professional customers through key account management create a quasi lock-in effect. Moreover, in key account management programs the purchasers' objective is not so much to obtain low costs per unit, but rather to reduce total cost of ownership (Cannon and Narayandas 2000). This shifts the focus from reducing unit price to obtaining a broad range of tangible and intangible benefits. Hence:

H₉ : In KA the average price level is higher than in non-KA relationships.

Empirical study

Study design: sample and questionnaire

The study is based on a written survey among managers involved in professional purchasing processes. Two industries were selected. The packaging industry represents a classical industrial goods market whereas the market research sector was chosen as an industrial service market. In both industries, long-term relationships play an important role.

Questionnaires were distributed to purchasing managers for packaging goods on the leading German trade show "FachPack". Potential participants were identified at the entrance, asked to complete the questionnaire at their office and to return it within four weeks. Only German participants were included in the final sample in order to control for cultural bias in this study. On the market research side questionnaires were sent out to those members of the leading German market research association (BVM) who are concerned with the purchasing process of market information.

The questionnaire contained only closed questions. The respondents were asked to answer by concentrating on one selected supplier with whom they worked since at least two years. The selection of the supplier was left to them. A total of 1142 customer companies in two industries (packaging goods and market research) were contacted. 340 questionnaires were returned, 43 of which were insufficiently filled in or referred to foreign suppliers. In order to control for cultural bias, only questionnaires referring to German suppliers were taken into account. Hence, the available data base consists of $n = 297$ cases.

In all cases, the respondents had been concerned with the relationship for at least two years, so that we assume that they are knowledgeable. The participating customer companies cover all three major industry sectors (industry, retail and services). On the customer side, the sample consists of SMEs as well as large companies. The size structure of the supplier companies is closely correlated to the relative importance of these types of companies in their markets. Hence, sample representativity appears to be established.

In order to identify whether the replying customer is a key account the questionnaire contained the following question.

<p>What is your company's position in the relationship with this supplier?</p>	<p><input type="checkbox"/> The supplier defines us as key account</p> <p><input type="checkbox"/> We are an important customer, but not a key account</p> <p><input type="checkbox"/> We are an average customer for this supplier</p> <p><input type="checkbox"/> We are a rather small customer for this supplier</p>
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91 participants answered that their supplier defines them as key account (KA). 129 customer companies do not hold key account status but are nevertheless important customers. 56 respondents define themselves as average customers of their suppliers, while 21 customers refer to themselves as small customers. Hence, the sample consists of 70% non-key account customers (non-KAs) and of 30% KAs which indicates a slight bias as compared to average KA/non-KA ratios. However, this deviation from the expected distribution appears to be of an order that remains to be tolerable for the aim of this study.

Measures

The variables developed in the hypotheses section are partially hypothetical constructs, partially observable facts. Whereas relationship duration (in years), customer turnover and number of actors involved (on the customer side) can be measured directly, multi-item scales were developed for the measurement of the remaining concepts.

- *Uncertainty*. The construct has often been operationalized for the purpose of empirical tests of the transaction cost framework. The uncertainty scales used in this study describe the external and internal uncertainty surrounding the supplier's decisions in the relationship with his customer. Because their studies focus on vertical long-term

business relationships our scales are based on the measurement instruments developed by Noordewier, John and Nevin (1990) and Heide and John (1990).

- *Relationship-specific investments*. This scale describes the investments made by the service provider in physical assets, procedures, and people that are tailored to the relationship. It is based on the scale used by Werner (1997).
- *Supplier dependence*. This scale is drawn from resource-dependence theory. It describes the extent to which the supplier is dependent on the customer and his resources. The measure is based upon an instrument developed by Jap and Ganesan (2000).
- *Contractual governance*. In order to measure the extent to which the relationship is being governed through a formal contract, four items were developed based upon the work of Macauley (1963). They describe the formal regulation of the objects of exchange, sanctions in case one party does not meet their obligations, circumstances under which the contractual agreement becomes invalid, and procedures in case the parties develop differing views on the interpretation of the contractual agreement.
- *Supplier internal coordination*. This construct describes the extent to which the supplier is able to control the internal flow of goods and information without inefficiencies at interfaces (single item measure).
- *Price level*. through this measure we establish whether the prices the supplier charges for his products are (clearly) above, equal to, or (clearly) below the average market price for comparable goods or services (single item measure).

All multi-item scales meet the criterion of $\alpha \geq 0.7$ (Nunnally 1978). The confirmatory analyses of the factors are also indicative of a good fit. The values all lay above the critical thresholds of 0.6 for factor reliability and 0.5 for the average variance extracted (Homburg and Baumgartner 1998). The intercorrelations among the constructs are moderate (all under or equal to 0.5), confirming the measures are distinct. Each item loaded significantly ($p < 0.05$) on its corresponding factor, providing further evidence for convergent validity.

Tests of hypotheses

Figure 1 (means) and table 1 (statistics) present the core results. Table 2 provides more detailed tests of the statistical significance of the differences in the three relationship groups' means. The nine hypotheses are only partially confirmed. key account management programs prove to imply: 1) higher supplier investments, 2) higher supplier dependence, 3) higher formal governance through contracts, 4) a large number of actors involved on the customer side and 5) an increased customer turnover. But, at the same time, key account management programs 6) do not reduce suppliers' perceptions of uncertainty in the relationship, 7) they do not lead to better process coordination, 8) are not reserved for long-term customers and 9) they do not allow suppliers to realize price premiums.

Discussion

Three hypotheses among the ten we raised are not confirmed by our empirical survey. As such, they constitute rather counter-intuitive results. Let's recall these results. Contrary to our primary thoughts: 1) key account management programs are not associated with better process coordination within the supplier organization; 2) key account management programs are not associated with high relationship duration; and 3) key account management programs do not allow suppliers to realize price premiums. Let's have a precise look at those results.

The first result indicates that key account management programs are not associated with better process coordination. Our initial hypothesis was formulated on the basis of a literature review where a majority of authors linked the key account management process to an improved coordination process on the supplier side. Common wisdom also tells us that the essence of a key account management program is coordination. Nevertheless as we mentioned it initially, Stevenson (1981) could not conclude, through his empirical survey on a link between key account management and an *improved internal seller coordination*. What does this result teach us about key account management? Stevenson explained that time was needed to attain such a coordination. As most of key account management programs within firms have only been recently implemented we can imagine that this coordination is *still under process* at the supplier. We can also consider that the coordination task is more difficult in KA relationships than in non-KA because the relationship to be managed is more complex. Our result may also point to the problematic situation many account managers face. They have to translate key customer problems in supplier solutions. In order to do so, they need to obtain the cooperation of other functional departments. Homburg, Workman, and Jensen (2002) show that account managers' access to marketing as well as non-marketing resources inside their company varies tremendously between different types of KAM programs. In their study, the best-performing KAM programs are the ones where cooperation between internal suppliers and the account manager is particularly good. On the other hand, low-performing KAM types lack this support to the account manager. Against this background, it may well be that in many of the programs comprised in our sample, account managers do not have the means to achieve their goal of process coordination because other functional units do not support them enough and that key customers suffer from this lack of coordination.

The second result indicates that key account management programs are not reserved for long-term customers. When we raised our hypothesis we indicated that relationship duration could be associated two-way to key account management. Because companies often *wait before* attributing a KA status to a customer to be sure it requires a specific treatment, we can

anticipate that in KA relationships, the duration of the relationships is higher than in non-KA relationships. We must also consider the fact that key account management programs are associated – in essence - with long-term perspective: they are implemented to *stabilize* and *secure* a relationship between a supplier and a customer. But none of these explanations seem to be valid with regard to our results. Does this mean that "relationship duration" and KA are not associated in any way? In a sense, yes. If key account management means creating value through a specific organizational design dedicated to a customer, the choice to implement a key account management program can be made without reference to "relationship duration". A prospect can be treated as a KA. A key account manager can dedicate his time to penetrate an account with which, to date, nothing has been done. Simply, the organizational design called "key account management program" is the most adapted for penetrating this customer. After all, this result is in line with the customer value literature (e.g. Walter, Ritter and Gemünden 2001) which posits that the importance of a customer to a supplier firm does not merely stem from accumulated turnover. Instead, a large number of value-drivers, such as know-how, innovativeness, or network integration, determine the customer's importance to the supplier.

Thirdly, the results indicate that key account management programs do not allow suppliers to realize price premiums. On this last result, we must admit that when raising our hypothesis we were quite shared on the link to establish between the presence of a key account management program and a possible price premium. On the side of "theoretical wisdom", the position was not clear. We must certainly wonder about the significance of "price premium". In a preceding article we have worked on value creation. The objective is not to raise prices but to create value which can mean: same prices (but even lower prices) but higher volume. This is exactly what is done with cross-selling. Same prices but more products and services sold. It may also mean, same prices but less costs for the supplier. The result is of an utmost importance for the KA research as it allows us to position once again key account management in a value-creation perspective, which is far richer a concept than achieving price increases.

Let's also note that H₄ which was raised on divided opinions about the link between contractual governance and key account management is confirmed. It gives weight to Heide's (1994) explanation: when there is unilateral dependence, Heide empirically demonstrates that bilateral governance has less chance to be used to regulate exchanges. Then, governance will take either a unilateral or hierarchical form.

Managerial implications

Managers in charge of key account management, whether directly (as key account managers) or indirectly (as managers of key accounts divisions or sales managers), should consider the outputs of our research. We can summarize things as follows:

- 1) Managers should recall exactly what the objective of a key account management program is. It is not to obtain higher prices but to work on a perspective of value creation. As Wilson (2000) points out, we are in an "integrative relationship" perspective where value is created both for the customer (Ulaga and Chacour 2001) and the supplier (Walter, Ritter and Gemünden 2001, Walter and Ritter 2003).
- 2) If coordination (of the supplier action toward the customer) is at the core of a key account management program, the complexity to be managed in a KA relationship is so important that the efforts to grant are very important to obtain a good level of process coordination. Managers must not underestimate this investment and be prepared to allocate sufficient resources to this coordination task. Their superiors need to understand this problem, too. It may well be that for an account manager to be effective, a certain amount of power is required. Otherwise, his dependence on his colleagues' goodwill may simply be too high and, over time, discouraging. This power does not need to be exclusively of the hierarchical type. For instance, recent results from the SAMA¹ indicate that less than one third of the key account teams are formal ones (e.g. with a hierarchical link between the key account managers and other team members). Power can be conferred by individual behaviours charisma, career path in the firm, etc.
- 3) New customers or even prospects can be granted a key account management treatment. If you can demonstrate that with such a treatment you're going to create more value than without, then do not hesitate: launch a key account management program!

¹ Source 2002 Survey of Strategic Account Management Practices - SAMA (Strategic Account Management Association) www.strategicaccounts.org

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Figure 1: Differences between key accounts and non-key accounts concerning various dimensions of business relationships

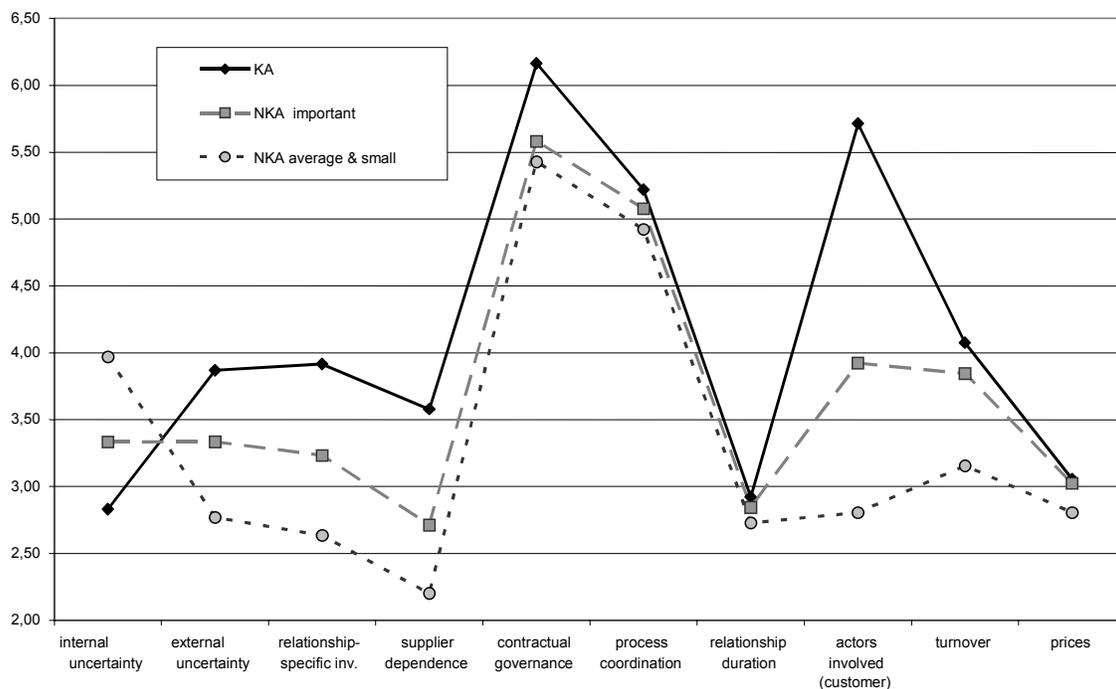


Table 1: hypotheses and results of analysis of variance

	Variable	F-value	Signi- ficance	Hypothesis	Confir- mation
H 1a	internal uncertainty	22,315	0,000	<i>In KA relationships, the supplier perceives less internal uncertainty than in non-KA relationships.</i>	<input checked="" type="checkbox"/>
H1b	external uncertainty	23,496	0,000	<i>In KA relationships, the supplier's relationships specific investments are higher</i>	<input checked="" type="checkbox"/>
H 2	supplier's relationship-specific investments	20,017	0,000	<i>In KA relationships, the supplier's relationships specific investments are higher</i>	<input checked="" type="checkbox"/>
H 3	Supplier's dependence from customer	29,520	0,000	<i>In KA relationships, the supplier's dependence is higher than in non-KA relationships.</i>	<input checked="" type="checkbox"/>
H 4	contractual governance	4,268	0,015	<i>In KA relationships, contractual governance is higher than in non KA relationships</i>	<input checked="" type="checkbox"/>
H 5	supplier's process coordination	0,836	0,434	<i>In KA relationships customers perceive suppliers to better coordinate processes than in non KA relationships.</i>	<input type="checkbox"/>
H 6	relationship duration	1,025	0,360	<i>In KA relationships, the duration of the relationships is higher than in non-KA relationships.</i>	<input type="checkbox"/>
H 7	number of actors involved on customer side	16,964	0,000	<i>In KA relationships, the number of actors involved – on the customer side – in the relationships is higher than in non-KA relationships.</i>	<input checked="" type="checkbox"/>
H 8	customer turnover (compared to sector average)	6,008	0,003	<i>In KA relationships, the average turnover of customers is higher than in non KA relationships.</i>	<input checked="" type="checkbox"/>
H 9	supplier price level (compared to sector average)	1,985	0,139	<i>In KA the average price level is higher than in non-KA relationships.</i>	<input type="checkbox"/>

table 1: hypotheses and results of analysis of variance

Table 2: t-tests for the significance of pair wise differences of means

	1 vs. 2	1 vs. 3	2 vs. 3
	sign.	sign.	sign.
internal uncertainty	***	***	***
external uncertainty	***	***	***
supplier's relationship-specific investments	***	***	***
supplier's dependence from customer	***	***	***
contractual governance	**	***	n.s.
supplier's process coordination	n.s.	n.s.	n.s.
relationship duration	n.s.	n.s.	n.s.
number of actors involved on customer side	**	***	**
customer turnover (compared to sector average)	*	***	***
supplier price level (compared to sector average)	n.s.	*	*

significant at the level of *** 99%, ** 95%, * 90%, n.s. not significant