

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

Vishal Talwar (*Doctoral Researcher, Manchester Business School*)

E-mail: vtalwar@dom01.mbs.ac.uk

Dr. Jamie Burton (*Lecturer in Marketing, Manchester Business School*)

E-mail: Jamie.Burton@mbs.ac.uk

Tel: 0161 275 6508

Prof. John Murphy (*Alfred McAlpine Professor of Customer Management, Manchester Business School*)

E-mail: John.Murphy@mbs.ac.uk

Abstract

The Customer Relationship Portfolio Management (CRPM) concept emphasises a resource-based integrated approach to the management of an organisation's customer relationships and has been largely inspired by matrix-orientated portfolio models developed within other related management disciplines. Though these models were rapidly adopted in such disciplines because of their appealing visual displays and immediate recommendations, customer relationship portfolio researchers examining the practical reality within business organisations have found little support for such a formal approach to managing customer relationships. The proposing and testing of theoretical customer relationship portfolio models has not shed light on the *actual* methods used by organisations to manage their portfolio of customer relationships. Taking a broad perspective on the customer relationship portfolio management phenomenon, this in depth process-orientated, case based research investigates how selling organisations in two industrial market contexts (UK and India) actually manage their entire portfolio of customer relationships. Research findings indicate that the two organisations have their own 'customised' ways of classifying and managing customers, though the process is less formal in the second case context. Even though neither of the case contexts under study uses a matrix approach, they do however use variables suggested previously by customer portfolio researchers. The present research contributes in both theoretical as well as methodological terms towards the conceptually rich but empirically nascent customer relationship portfolio literature. It provides a contextual understanding of the CRPM phenomenon. This research goes beyond 'soft' factors and incorporates cost related outcomes of buyer-seller relationships to give a more rounded view of managing customer relationships. Methodologically, a 'flexible but structured' synthesis approach to understanding CRPM processes within organisations has been adopted.

Keywords: relationships, customer portfolios, developed & emerging markets.

Introduction

Business-to-business Customer Relationship Portfolio Management (CRPM) has been a persistent stream of academic literature within the relationship management field. This is evident in the consistent levels of research that has been conducted in this area since the early 1980s (Cunningham and Homse, 1982; Fiocca, 1982; Campbell and Cunningham, 1983; Dubinsky and Ingram, 1984; Shapiro *et al* 1987; Turnbull and Zolkiewski, 1997; Krapfel *et al* 1991; Olsen and Ellram, 1997; Johnson and Selnes, 2004). However, it remains a largely conceptual, matrix driven visualisation tool with little empirical support or contextual applicability; most publications on CRPM are conceptual or anecdotal in nature (Gelderman, 2003). The 'portfolio' concept emphasises an integrated approach to the management of the company's various business units to achieve long-term objectives (Turnbull, 1990). Originating from the management of financial investments, this integrated approach has been discussed at a theoretical level, with respect to the management of an organisation's customer relationships. Portfolio models within strategic management disciplines were rapidly adopted because of their appealing visual displays and the immediate comparisons and recommendations offered (Brown, 1991). They are popular because they fulfil an innate human desire for taxonomy and the classifications offer easy-to-grasp catch phrases (Hooley and Saunders, 1993).

There has been some degree of consistency in theoretical development; researchers investigating CRPM use varying but arguably broadly similar phrases (in meaning) for matrix conceptualisations (for example: *partners, friends, rivals* and *acquaintances* used by Krapfel *et al* (1991) and by Johnson and Selnes (2004) thereafter). Unfortunately, managers have found it more difficult to use customer portfolio models. Researchers such as Leek *et al* (2004) and Sutton-Brady and Oliphant (2005) have found little evidence for the use of formal customer relationship portfolio methods. According to Leek *et al* (2004), managers have found it difficult to choose between the portfolio models that have been proposed for their particular business context and tend to use less formal methods of managing their customer relationships.

This less than enthusiastic response from practitioners has prompted researchers such as Leek *et al* (2004) and Olsen and Ellram (1997) to urge researchers to re-examine the portfolio models put forward so as to improve their applicability and usefulness in industrial settings. There is very limited information about the

reality of implementing and using a system for managing relationships. It is also unclear whether practitioners use the same variables as academics or whether they use the same number of variables (Leek *et al* 2002b). Further to this, there is very little knowledge about how practitioners combine the information on different customers, how many stages or categories are constructed and used in managing 'portfolios' of customers, how formally recognised portfolios are and how analysis of results is utilised.

Taking a broad perspective on the relationship portfolio management phenomenon, this process orientated case based research investigates how selling organisations in two industrial market contexts (United Kingdom and India) manage their entire portfolio of customer relationships. This broader perspective research does not attempt to establish matrix type rankings or to use any structured matrix methods but tries to generate and test theory by reporting on the actual CRPM process utilised by organisations within the contexts mentioned above. Thus, this study attempts to provide clarity on methods that companies adopt in actually managing their portfolio of customer relationships and the process of implementation. This would also mean the 'capture' and understanding of other relationship management concepts that might be used by business organisations in tandem with or to make operational, its customer relationship portfolio strategy.

According to Turnbull and Valla (1986), the portfolio concept focuses on the *management* of supplier-customer relationships, which could be *classified in terms of relative importance and segmented into homogeneous groupings* of customers *based on some meaningful bases*. CRPM until now has predominantly focused on classification, creating homogeneous groupings and suggesting some alternative action plans. However, the *management* component has not been extensively handled by academic researchers.

A Review of the CRPM Literature

A discussion on the extant CRPM literature can be classified into three phases. **Phase 1**, the '**model proposition phase**' occurred largely in the 1980s. A number of mainly conceptual customer portfolio and CRPM models were proposed during this period, however many of the strategic management portfolio techniques had been developed by business consulting firms (and not academic researchers), (Gluck, 1986). Customer portfolio models based on strategic business unit (SBU) or macro level business planning tools were then derived by academics. However, the theoretical basis of the dimensions proposed was generally not examined empirically; instead the conceptual adequacy of the majority of these models was assumed (Eng, 1999). **Phase 2**, the '**model testing phase**' occurred mainly in the 1990s, when a limited number of researchers actually tested the validity of the frameworks and models proposed in the previous decade. **Phase 3**, the '**practical reality phase**', has taken place mainly post 2000, with researchers addressing the practical reality of managing different types of buyer/seller relationships and investigating the applicability of certain portfolio concepts that had been hypothesised earlier.

Phase 1: Model Proposition phase

The starting point for customer relationship portfolio model understanding was the 1980's where a number of predominantly conceptual models were proposed by researchers such as Fiocca (1982), Cunningham and Homse (1982), Campbell and Cunningham (1983), Dickson (1983), Dubinsky and Ingram (1984), Shapiro *et al* (1987) and Krapfel *et al* (1991).

According to Gelderman (2003), most customer portfolio models proposed can be divided into two overall categories:

1. Profitability, balancing cost and revenues from customers.
2. Relationships, with an emphasis on various aspects of buyer/seller relationships.

Those that deal with issues such as profitability (e.g. Dubinsky and Ingram, 1984) or with strategic importance of key accounts (Fiocca, 1982) are not necessarily relationship focused. Both Krapfel *et al* (1991) and Rangan *et al* (1992) look at the customer relationship portfolio phenomenon from a dyadic buyer-seller

perspective. This crucial aspect was missing prior to their work and customer input was limited to cost related issues such as 'cost-to-serve', 'price sensitivity' and 'difficulty in managing' etc. Despite recognition of the importance of relationships *with* customers, very few relationship portfolio models reflect this market reality and many base judgements on how suppliers view the relationship, identifying strategies they think appropriate in the operational context. This has opened them to criticism; "(to effectively manage a relationship), *it has to be understood from both perspectives rather than by carrying out supplier assessments or customer segmentation exercises*" (Ford *et al* 2003, p. 38). The models identified in Phase 1 enable visualisation of relationship situations and enhance the practitioner's ability to make better sense of the nature of its customer base and the possible strategies that could be adopted for optimum resource allocation (Zolkiewski and Turnbull, 2002). "*The flexibility of the portfolio concept for use in the different levels of management and different levels of sophistication further illustrates its usefulness as a powerful management tool*" (Turnbull, 1990, p. 20). However customer relationship portfolio models do not necessarily reveal their theoretical assumptions (Gelderman, 2003) or there are ambiguities in how the dimensions and constructs have been defined which has led to limited empirical testing in the second phase of research. Additionally, writers fail to provide detailed guidance on choosing amongst various strategic portfolio management options (Olsen and Ellram, 1997) and their usefulness is often limited to visualisation rather than serving as an analytical or prescriptive tool in itself (Yorke and Droussiotis, 1994), suggesting action plans rather than direct strategy formulas. Thus, the relationship portfolio approach remains within the realms of a simple aid to decision making. The lack of empirical substantiation and theory building remains a problem. Additionally, customer portfolio models were in the main derived from existing thought within related management disciplines and thus many of the variables, dimensions or methods proposed relate to revenues, profitability or asset utilisation of the firm rather than relationship specific issues.

Phase 2: Model Testing

It was not until the 1990s that researchers began to test CRPM models and discuss the problems and advantages associated with them. Four key research papers that attempted to test the validity of existing customer portfolio models are identified.

Turnbull and Topcu (1994) tested Fiocca's (1982) model with data extracted from a Turkish minerals company, whilst Yorke and Droussiotis (1994) used Fiocca's (1982) approach in a modified form and applied it to a fabric manufacturer, calculating individual customer profitability over a two-month period. Both Turnbull and Topcu (1994) and Yorke and Droussiotis (1994) found that the subjective nature of a number of variables proposed presented problems during implementation. Turnbull and Topcu (1994) interpreted some variables differently, which led to significant disparities in the categorisation of customers and also faced problems with the demarcation between 'low' and 'high' values, as did Turnbull and Zolkiewski (1997) in the third key paper. Yorke and Droussiotis (1994) criticised Fiocca (1982) for assuming that each relationship category was associated with different profitability levels. Both Turnbull and Topcu (1994) and Yorke and Droussiotis (1994), however, agreed that Fiocca's (1982) approach provided useful customer relationship data and that clearer variable definition could remove the subjective interpretation inconsistencies. The fourth validity testing paper is Eng (1999) described below.

Turnbull and Zolkiewski (1997) produced a study of ten projects from four different customers in an IT company testing Shapiro *et al's* (1987) theories relating to gross margin dispersion and to the behavioural types of a customer (carriage trade, aggressive, etc.) and Krapfel *et al's* (1991) theory of relationship classification and management. Turnbull and Zolkiewski (1997) found that their case company only looked at the production and direct costs of individual projects and not at pre- or post-sale costs, supporting Shapiro *et al's* (1987) claim that managers did not know the real cost to serve individual customers at times. Their results also validated Shapiro *et al's* (1987) wide range of profit dispersion findings and the applicability of their classification matrix for customers. They supported Shapiro *et al's* (1987) assertion that the dispersion of customer profitability could be managed, *if* suitable customer data tracking systems were used. Turnbull and Zolkiewski (1997) recommended that managers consider the changing cost to serve each customer. In

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

testing Krapfel *et al's* (1991) relationship grid classification matrix in the same research, Turnbull and Zolkiewski (1997) found Shapiro *et al's* (1987) axes to be relatively less subjective and therefore easier to measure and that since the majority of the relationships studied were repeat purchases, all customers were positioned in two out of the four quadrants: *partner* and *friend* on the Krapfel *et al* (1991) matrix. Turnbull and Zolkiewski (1997) concluded that Krapfel *et al's* (1991) matrix was more useful for analysing supplier, rather than customer, relationships and that Shapiro *et al's* (1987) model required the inclusion of 'relationship value' as a third dimension as managers need to consider the evolving cost-to-serve for each customer rather than simply treating sales and marketing time as an overhead.

Eng (1999) selectively tested different components of the validity of models proposed by Fiocca (1982), Campbell and Cunningham (1983) and Shapiro *et al* (1987) longitudinally in a service business context, taking account of Wind *et al's* (1983) advice to integrate various models in order to take advantage of their unique benefits. Eng (1999) found (whilst testing step one of Fiocca's (1982) model), that 'non-key/easy' customers could also prove to be an important source of funds and that the cost-to-serve a highly attractive business (for all competitors) was higher than most other businesses. Eng (1999) recommended further investigation using other variables such as customer profitability prior to making decisions on terminating customer relationships. In investigating Campbell and Cunningham's (1983) approach, Eng's (1999) found problems with generalising some conditions/ assumptions of the product lifecycle theory to customer relationships, as customers may not evolve to 'commodities' as products can. Eng's (1999) also demonstrated that a customer's position on the 'life-cycle' could change as a result of strategic choice and that a relatively new customer could be '*today's special customer*' and not necessarily a '*tomorrow's customer*'. Eng (1999), (as Turnbull and Zolkiewski, 1997) also found problems in obtaining accurate cost-to-serve data and found Shapiro *et al's* (1987) costs-to-serve classifications more suited to the industrial business context. Table 1 below summarises the CRPM research reviewed.

| Author/s | Dimensions | No. of Steps | Main Focus | Empirical Validation/Basis |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Fiocca (1982) | 1. Difficulty in managing, Strategic importance 2. Customer's attractiveness, strength of buyer-seller relationship | 2 | 1. Profitability 2. Attractiveness Vs. Position (GE type) | Turnbull & Topcu (1994) Yorke & Droussiotis (1994) Eng (1999) |
| Cunningham & Homse (1982) | 1. Technical interaction, sales volume | 1 | 1. Interaction | |
| Campbell and Cunningham (1983) | Step 1: Life-cycle classification of customer relationships Step 2: Customer/ Competitor analysis by market segment Step 3: Portfolio analysis of key customers | 3 | 1. Relationship (power balance) 2. Attractiveness Vs. Position (BCG type) | Campbell and Cunningham (1983) Eng (1999) |
| Dickson (1983) | 1. Growth Rate 2. Manufacturer's share of distributor sales | 2 | BCG Type | |
| Dubinsky & Ingram (1984) | 1. Present profit contribution 2. Potential profit contribution | 1 | 1. Profitability | |
| Shapiro <i>et al</i> (1987) | 1. Net price 2. Cost to serve | 1 | 1. Profitability | Turnbull and Zolkiewski (1997) Eng (1999) |
| Krapfel <i>et al</i> (1991) | 1. Relationship value 2. Interest commonality | 2 | 1. Relationship (type) 2. Relationship (management mode) | Turnbull and Zolkiewski (1997) |

Table 1: Customer Portfolio/Relationship Portfolio Models Proposed/Tested in the 1980s and 1990s

The classification of any business into a specific portfolio position depends on how the dimensions used are operationally defined and what methods or rules are used to differentiate between 'high' and 'low' categories of the dimension (Wind *et al.*, 1983). Although the portfolio models described in phase 1 were inherently appealing as a means of analysis (Rajagopal and Sanchez, 2005), customer portfolio researchers (Turnbull and Topcu, 1994; Yorke and Droussiotis, 1994 and Turnbull and Zolkiewski, 1997) faced similar problems with operational definitions of dimensions and high vs. low categorisation, due to a lack of definitive descriptions, little standardisation of components used and an absence of explicit assumptions. Additionally, Zolkiewski and Turnbull (2002) highlighted problems with practical implementation of value-measurement. Relationship analysis can take place at three different levels (Zolkiewski and Turnbull, 2002); *market segmentation* forms the *first strategic level*, and *identifying customer clusters* within the segments is the *second strategic level*. Finally, the *micro level* is where the costs and benefits of *individual customer relationships are analysed* and this is the most problematic area. It is a problem because of the limited ability to understand all costs that go into serving customers due to the various interactions that a seller has with a customer at all levels. Ability to quantify these interactions is limited by cost measurement sophistication and the technology levels existing in business organisations. Customer or relationship profitability is a critical element of portfolio analysis (Zolkiewski and Turnbull, 2002) but many researchers and managers cannot collect sufficient data to measure it accurately.

In summary, the customer portfolio models can be critiqued for the following weaknesses; limited customer input (Gelderman, 2003) or the singular value perspective (Ford *et al.* 2003), not revealing their theoretical assumptions (Rajagopal and Sanchez, 2005) and possessing ambiguities in how dimensions and constructs have been defined (Gelderman, 2003), not providing any guidance on choosing strategic options (Olsen and Ellram, 1997) because their usefulness is limited to a visualisation tool (Yorke and Droussiotis, 1994) and lacking integration with other relationship management or marketing concepts (Rajagopal and Sanchez, 2005). Whilst the empirical testing of theoretical models is useful, it does not provide insight and understanding of the *actual* methods used by organisations for managing their portfolio of customer relationships (Terho, 2006). The discussion of **Phase 3**, which follows highlights the limited research undertaken to understand the empirical reality of CRPM in practise and the conclusions reached.

Phase 3: Examining Practical Reality

Highlighting a lack of empirical research in relationship portfolios, Leek *et al's* (2002a) paper investigates the variables managers use to categorise their relationships into 'successful' and 'problematic'. They hypothesise that managers consider two general dimensions when determining whether a relationship is successful or problematic, the *process* and the *outcome*. Leek *et al.* (2002a) criticise the existing portfolio models for not including process and outcome variables simultaneously. Leek *et al's* (2002b) research was one of the first few papers that tried to understand the practical reality of how managers deal with customer relationships and the suitability of certain hypothesised concepts within the practitioner environment. Leek *et al.* (2002b) contend that practitioners have found it difficult to select an appropriate portfolio model from the number that is available. According to Leek *et al.* (2002b), these problems might explain why thirty per cent of sampled UK companies do not have a formal system for managing their relationships. Leek *et al.* (2002b) propose a model based on empirical research to explain how suppliers as well as buyers approach the management of their relationships. They find three methods that are generally used: '*formal and documented system*', '*personal judgement*' and '*meetings*'. These are often used concurrently to enable smoother gathering of information. However, suppliers had a greater preference for meetings and buyers preferred formal, documented systems and personal judgement. Leek *et al.* (2004) extend their 2002b study to compare manufacturers and financial service suppliers' and buyers' use of relationship management methods. One of the key findings in the context of this research was that respondents considered formal relationship portfolio analysis methods to be less useful than personal judgement and meetings. Sutton-Brady and Oliphant (2005) come to similar conclusions after extending Leek *et al's* (2004) survey based research instrument into the Australian context. However, unlike the sample in Leek *et al's* (2004) UK context, the buyers in the Australian context tended to prefer more informal systems to manage their relationships whereas the

suppliers preferred a more formal approach. Ryals (2006) found little evidence of real portfolio management at the key customer level since there was a tendency to treat each key customer as an individual case

This less than enthusiastic response from practitioners prompted Leek *et al* (2004) to urge researchers to re-examine the portfolio models put forward so as to improve their applicability and usefulness in industrial settings. This opinion has been supported by researchers such as Olsen and Ellram (1997) who have called for an extensive empirical testing of the usefulness of the portfolio approach. According to Leek *et al* (2002b), even though academia has put forward customer portfolio models, there is very limited information about the reality of implementing and using a system for managing relationships. As outlined above, it is also unclear whether practitioners use the same variables as academics or whether they use the same number of variables (Leek *et al* 2002b). Further to this, there is very little knowledge about how practitioners combine the information, how many stages or how analysis results are used. According to Leek *et al* (2002b, p. 8), *'until this is done the practicality of the portfolio concept must remain suspect.'*

Research Questions

In order to contribute to a broader perspective of understanding, three research questions have been identified. The research questions have been used not to constrain the development of the study but to attain a *'theoretically sensitive'* (Glaser, 1992) grounded theory based understanding of how organisations in two mature industrial market contexts manage their portfolio of customer relationships.

Research Question 1 (RQ1)

Turnbull and Zolkiewski (1997) test Shapiro *et al's* (1987) theories relating to gross margin and to the behavioural types of a customer. They further build up on this model and include a third dimension: 'relationship value'. The logic is that managers need to consider the cost to serve for each customer and its change over time rather than simply treating sales and marketing time as overhead. Zolkiewski and Turnbull (2002) have recommended the use of multivariate analysis incorporating market or customer orientated dimensions, e.g. customer profitability, relationship value and strategic importance of the relationship whilst analysing relationship portfolios. Johnson and Selnes (2004) have proposed an Exchange Relationship Framework where the central concept is the exchange relationship mechanism and the value created here is a direct function of both the customer's and the supplier's capabilities and strategies. Thus, there has been a gradual transition (in research terms) from using sales volume to customer profitability to relationship value as leading indicators or dimensions to understand customer relationship portfolios. Zolkiewski and Turnbull (2002) are of the opinion that relationship value holds immense importance in the context of designing an appropriate customer portfolio strategy. Whilst it can be more subjective and difficult to quantify (Zolkiewski and Turnbull, 2002) it does provide a more accurate picture and helps management to prioritise customer relationships. Though relationship value is considered to be more useful than the previously used constructs and sub-constructs, there has been very little empirical evidence of its use in reality by industrial marketers. Research on Relationship Value (in both supplier and customer contexts) has pushed the focus on value from being perceived (and researched) as a uni-dimensional construct into a higher order multi-dimensional construct (Naudé, 2005) that consists of various sub-dimensions. *Some* of these sub-dimensions are objective and can be easily quantified, especially with the advances in cost measurement methods and systems. The discussion on relationship value suggests that researchers conceptualise it as a higher order construct, which encompasses both benefit as well as sacrifice dimensions. Thus, dimensions such as net price, cost-to-serve, customer profitability and sales volume, revenue etc, are sub-dimensions of the overall relationship value construct. Though relationship value is considered to be more useful than the previously used constructs and sub-constructs, there has been very little empirical evidence of how it is used in reality by industrial marketers. With such a wide conceptualisation, it will be safe to assume that organisations would be using this multi-dimensional construct in a form that is suitable for their purpose. Thus, this research intends to explore how (and to what extent) the contexts under study use the multi-dimensional relationship value construct to make its CRPM operational.

This provides us with our first research question (RQ1):

‘How do the two case companies operationally implement the relationship value construct in the context of their customer relationship portfolio management strategy?’

Due to the contextual nature of the relationship value construct (Ulaga, 2003; Ulaga and Eggert, 2003), the inherent dimensions will have to be explored in greater detail to make them contextually relevant.

Research Question 2 (RQ2)

The Customer Relationship Portfolio literature recognises the existence of different categories of customers and the possibility of adopting different customer supplier interaction strategies ranging from *close/collaborative* to *arm’s length*. The sole objective here is to optimise technical, financial and human resource allocation. For example, Rangan *et al* (1992) identify four buyer micro segments based on behaviour: *programmed buyers*, *relationship buyers*, *transaction buyers* and *bargain hunters*. They demonstrate how this approach could be used to influence the customer’s movements to segments that are mutually beneficial by altering marketing mix variables such as price and service. However, this research does not elaborate on how the organisation should manage the different micro-segments identified. The largely matrix orientated customer relationship portfolio research provides possible action plans but does not provide in depth understanding on exchange mechanisms adopted by suppliers. Thus, this gap in the broader perspective on customer relationship portfolio management literature provides us with our second research question (RQ2):

‘What exchange mechanisms are used by the case companies to manage their portfolio of customer relationships and what actors are involved in these exchange mechanisms?’

Research Question 3 (RQ3)

Macneil (1983) identifies *flexibility* as an important relational contract norm. Being flexible towards your customer is seen as essential for implementing the rest of the relational contract norms and is the one norm that differentiates relational exchange from a ‘simple’ transactional exchange. Within the interaction approach, researchers have emphasised *adaptation* or *flexibility* as an important part of the relationship component in the interaction process (Ford, 1997). Hakansson (1982) refers to it as a critical marketing and purchasing issue. Brennan (1998, p. 61) defines dyadic adaptations as *“behavioural or organisational modifications at the individual, group or corporate level, carried out by one organisation, which (are designed to) respond to the specific circumstances of a single buyer-seller relationship.”*

To contribute towards a broader perspective on customer relationship portfolio management understanding, this research investigates the levels of flexibility and adaptation that are offered by the suppliers (to customers within the portfolio) in the two contexts. Is there a systematic method or strategic framework within which relationship specific adaptations are made or is there a random manner in which accommodation and flexibility is provided to the customer? Thus, the third research question is (RQ3):

‘What levels of adaptation and flexibility are provided to customers within the portfolio?’

The Two Case Contexts

Oilco: The first case study is based in the commercial division of the Oil Products business in the downstream operations of oil major, ‘Oilco’. The focus of the research is on Oilco’s UK operations and thus UK based customer relationships. The Oil Products business markets fuels and lubricants for domestic and

industrial use, and for a range of transport modes; from road to shipping and aviation. It also refines supplies, trades and ships crude oil and petroleum products.

Battco: The second case company, 'Battco' is India's largest automotive and industrial battery manufacturer. It is the market leader in the organised automotive and industrial segments. Automotive applications include both Light Commercial Vehicles (e.g. four wheelers & two wheelers etc.) as well as Heavy Commercial vehicles (e.g. Trucks & Buses etc.). Battco's products come as original equipment (OE) for the majority of car brands that roll out of factories in India (8 out of 10 cars- Battco claim). The focus of this research is on Battco's automotive 'primary' customers (Original Equipment Manufacturers and Trade customers).

Method and Material

Methodologically, this research adopts a pragmatist approach (Rorty, 1999). This pragmatism is grounded in the principle that appropriateness of method depends on the nature of the problem (Rorty, 1999). It was essential to understand the complex phenomenon from a multi-dimensional perspective and examine it empirically and completely within its natural setting to provide a complex holistic picture to contrast with existing theory on customer portfolio management. An in-depth examination of the organisations was conducted which necessitated the collection of a wide array of information from multiple sources in order to provide in-depth conceptualisation (Creswell, 1998) and also required the development of a theory that is grounded in the field data (Creswell, 1998). Thus, an in-depth qualitative case study approach was utilised, combined with a Grounded Theory (GT) (Glaser and Strauss, 1967) approach to Data Analysis. A multi-step data analysis technique was formulated to analyse the data collected. The analysis technique was a synthesis of the GT techniques used by Charmaz (1983), Chesler (1987), Strauss and Corbin (1990) and Eaves (2001) similar to that of Turner (1983), who characterised GT as an approach to qualitative data that; "*promotes the development of theoretical accounts which conform closely to the situations being observed, so that the theory is likely to be intelligible to and usable by those in the situations observed, and is open to comment and correction by them*" (p. 334). Given that the aim of the research was to provide empirical analysis of practitioner behaviour and meanings this qualitative, grounded theory approach to both the method of data collection and analysis (Patton, 1990) was deemed most appropriate.

This research follows 'replication logic' and not 'sampling logic'. Thus, the research does not make broad generalisations but rather context specific conclusions (Stake, 1994) that could be expected to be replicated, under similar conditions within the two contexts under study. The goal is to provide description, understanding, interpretation and explanation of the customer relationship portfolio management phenomenon as opposed to simple generalisation of results (Creswell, 1998). The case selection was guided by Creswell's, (1998) recommendation of *purposeful sampling* where the most important issue is to select cases that show different perspectives on the problem, process or event. Pettigrew (1990) reinforces this suggesting that researchers '*go for polar types*' (Pettigrew, 1990, p. 275) when they are researching a relatively smaller number of cases.

The main questions related to interviews were, 'who to interview?', 'what types of interview would be most suitable?' and 'which questions to ask?' It was necessary to determine who would be able to deal with a particular line of enquiry, and what type of interview would be best suited for that individual (given time available and logistics involved). Categories of potential interviewees were identified and sufficient representation from each category was necessary to satisfy a particular line of enquiry. Respondent identification was also an iterative (snowballing, Creswell, 1998) process where interviewees served as informants to suggest further persons to interview/ additional sources of data. Potential respondents were also identified from the documents reviewed. Participants were assured confidentiality through the use of pseudonyms in data reporting. Identification of the individual participant is not crucial, because the concepts generated by the participants and not the individual participants themselves, were at the centre of the study (Glaser, 1978). In all, 48 semi-structured interviews were conducted. Thirty-four at Oilco including respondents with role-titles; President, Vice-President (2), CRM Head, CRM and MI Support, Training

Manager, Finance Analyst, MI Support (2), Finance Manager, Sales Team Leader (2), Marketing Manager (3), Assistant Marketing Manager, Business Analyst, Key Account Manager (7), Field Based Account Manager (2), Office Based Account Manager, Line of Business Manager, Sales Team Leader (3), Customer Support Manager, Technical Services Manager, Back-end Process Manager. Fourteen at Battco including role titles of; Director-Automotive, Chief Operating Manager (2), Sub-Brand Business Head, Line of Business Head, OE Business Head, Vice-President, Chief Operating Officer, International Marketing Manager, International Business Manager, Director Industrial, Industrial Business Manager, Automotive Business Manager and Service Manager.

Data Analysis Using GT

The GT approach has been used to analyse the data collected during the main fieldwork stage. It is beyond the scope of this paper to discuss the wide variation and the enormous differences that exist between GT researchers on how to approach research and analysis (see Stern, 1994 for a review). Charmaz (1983), developed her own style of the GT method (within the framework of the original Glaser and Strauss, (1967) methods), and is of the view that every researcher would tend to use his or her own variation. Charmaz (1990, p. 1170) advises researchers to explain clearly the methods they have adopted since, “*grounded theorists bring to their studies the general perspectives of their disciplines, their own philosophical, theoretical, substantive and methodological proclivities, their particular research interests, and their biographies.*” This research follows a ‘synthesis’ technique for GT data analysis (Eaves, 2001), derived from the works of Charmaz (1983), Chesler (1987), Strauss and Corbin (1990) and Eaves (2001). The objective was to stay true to the goals and spirit of each coding procedure, while modifying procedural steps that were too mechanistic or impractical (Eaves, 2001). The guiding conceptual framework development in this research, might suggest a Straussian approach to GT (Strauss and Corbin, 1990) particularly in terms of the treatment of theoretical sensitivity and the role of existing literature; however, Strauss and Corbin’s (1990) “paradigm”¹ model has been found to be as difficult as Glaser and Strauss (1967) or Glaser’s (1978) approach (Eaves, 2001) to apply in new contexts. Taking a cue from GT researchers such as Eaves (2001), Strauss and Corbin (1990) and Charmaz (1983) and their positive views and actions on modifying GT methods to suit the needs of the research, a multi-step data analysis technique has been formulated to analyse the data collected. The focus used was similar to Eaves (2001), i.e. clarity, transparency and logical flow were sought and the method is a recursive process rather than a linear approach (Eaves, 2001). The GT researcher is in various stages of the process at any given point in time, depending on the concept, phenomenon or category under investigation.

Before the application of the GT Analysis technique, a first level coding (Miles and Huberman, 1994) was performed to label, separate, compile and organise data (Charmaz, 1983). Miles and Huberman (1994) claim that an initial ‘first level coding’ is essential in order to summarise sections of data, and to quickly retrieve and organise those segments that relate to particular questions or themes. The ‘first level coding’ generated 77 codes, by scanning the rich text format transcribed interview files and attaching codes (within NVivo) to relevant sections of interview text, in line with the research objectives, research questions, the guiding framework and the interview questions.

Following first level coding, *in vivo* codes were generated by underlining the relevant text and ‘registering’ the key words on the right hand margin of the transcript (Eaves, 2001). Subsequently, all the *in vivo codes* (**Step 1**) were listed. These *code phrases had to be reduced* (**Intermediate Step**) whilst ensuring that these *reduced phrases* captured the essence of what the informant said (Chesler, 1987). Groupings of similar code phrases were used to create *clusters* (**Step 2**) and these clusters were grouped together to develop *sub-categories* (more abstract in nature than codes). These sub-categories were found to be at two levels with sub-category 1 at a higher level than Sub-category 2 (**Step 3**), leading to the creation of higher order *categories* pertaining to similar phenomenon (**Step 4**). All categories together contributed to the creation of *core categories* (Strauss and Corbin, 1990 and Eaves, 2001), (**Step 5**), which is the central theme or the

¹ This “paradigm model” is used “to think systematically about data and to relate them in very complex ways” (STRAUSS & CORBIN 1990, p.99)

storyline of the data around which all the other categories can be organised; “*The core category must be the sun, standing in orderly systematic relationships to its planets*” (Strauss and Corbin 1990, p. 124). In any particular study there may be several story lines and thus several core categories that can be identified (Eaves, 2001). The core categories led to the development of *sub-core categories* (Step 6), which, for the purposes of this research, are characteristics and properties of a *differentiated* core category along a dimensional range or continuum. Strauss and Corbin (1990) give the example of ‘colour’ whose properties include shade, intensity etc., each of which could vary and be placed along a continuum (high to low, darker to lighter etc.). The division of core categories into sub-core categories then led to the *generation of mini theories* (Step 7), which were then *integrated* (Step 8) together within an *explanatory framework* (Step 9). Thus, in this approach to Grounded Theory Analysis, a ‘mass’ of data was first examined and ‘compressed’ to create **core categories** (around which the data revolve) and then ‘de-compressed’ to create **sub-core categories** with characteristics and properties displayed along a continuum. Both levels of coding were conducted using manual techniques and CAQDAS software, adding rigour to the research (Richards and Richards, 1991).

Findings

This section compares the two case contexts (Oilco and Battco) and this discussion revolves around the overall research objective as well as the research questions highlighted in the beginning.

Research Question 1: How do the two case companies operationally implement the relationship value construct in the context of their customer relationship portfolio management strategy?

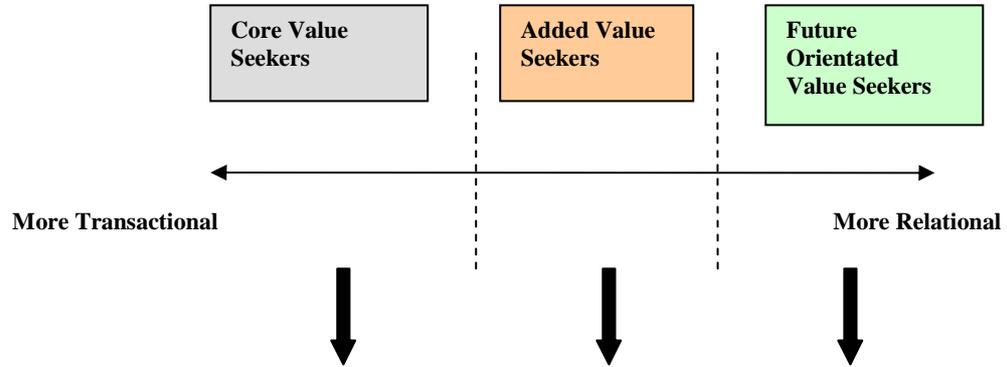
Oilco classifies all its varied customers into three overall customer groupings: *core value seekers*, *added value seekers* and *future value seekers*. This overall classification is based on the company’s understanding of the Expected Relationship Value of the customer (ERVc). ERVc for the customer in the context of this study is *the value that the customer expects to derive during the lifetime of the relationship with a particular supplier*. This is the value that the customer seeks from the supplier and includes both the benefit as well as sacrifice dimensions. This overall classification is based on the company’s understanding of the ERVc for different customers who can then be placed on a transactional-relational continuum, based on 9 ERVc sub-core category characteristics as highlighted in Figure 1 below. This is done in order to understand the infrastructure and resource capabilities that would be required by the organisation and to design them appropriately. Thus, the approach adopted by Oilco enables the organisation to not only enhance customer understanding but to better design scalable resource capacities. Oilco found that the absence of such processes previously was creating a problem due to a lack of control over the customer facing staff’s desire to serve their ‘accounts’ the way the individual customer requested.

However, the actual value delivered to the customers by Oilco (in the form of exchange mechanism adopted and adaptations made) is moderated by a thorough understanding of the Expected Relationship Value to the supplier (ERVs) from each of these customers. ERVs is defined as *the estimated value to be derived over the life of the relationship with a customer*. These ERVs categories have been highlighted in Table 2 below. However, the most important parameter to judge individual customer account performance at Oilco is *individual customer profitability*. Some functions within Oilco only look at the existing individual profitability of the customer when taking decisions. These functions mentioned have been getting stronger within the organisational set up after the organisational restructuring. This has been a bone of contention between Sales personnel and other individuals within the company due to the added pressure this creates on the sales force.

“They won’t talk about strategic fit, sectorisation, potential, relationships; they would just clearly talk about current profit. I don’t blame them for that because in some ways that is the only knowledge we want them to have, because they might make other choices for us that might be the bad choices, with the best intentions of course” (OC 10).

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

The above does not necessarily mean that Oilco does not look at volume as a direct value parameter. Higher product volumes sold help reduce the company’s fixed costs.



| | | | | |
|----|--------------------------------------------------------------|-----------------|---------------|-------------|
| 1. | <i>Proportion of customers who view product as commodity</i> | <i>High</i> | <i>Medium</i> | <i>Low</i> |
| 2. | <i>Price Sensitivity</i> | <i>High</i> | <i>Medium</i> | <i>Low</i> |
| 3. | <i>Willingness to adapt</i> | <i>Low</i> | <i>Medium</i> | <i>High</i> |
| 4. | <i>Service Levels Required</i> | <i>Low</i> | <i>Medium</i> | <i>High</i> |
| 5. | <i>Interaction Levels Sought</i> | <i>Low</i> | <i>Medium</i> | <i>High</i> |
| 6. | <i>Supplier Expertise Sought</i> | <i>Low</i> | <i>Medium</i> | <i>High</i> |
| 7. | <i>Focus on Indirect Costs</i> | <i>Variable</i> | | |
| 8. | <i>Overall Flexibility Desired</i> | <i>Variable</i> | | |
| 9. | <i>Relationship Intention (wrt to case company)</i> | <i>Low</i> | <i>Medium</i> | <i>High</i> |

Figure 1: Oilco ERVc Sub-Core Category Characteristics along Continuum

Battco, on the other hand, segments the market based on operational considerations rather than marketing requirements. The company takes a sector specific view of the market based around region, product and industrial sector characteristics. According to Dibb and Simkin (1994), most organisations undertake such segmentation exercises. In fact, before the rapid change in the overall context from stable maturity to extreme maturity/decline and before standardising and aligning procedures globally, Oilco used to follow such an operationally orientated segmentation procedure. Battco analyses all its customer accounts at this general segment level and its ‘marketing policy’ of increasing or retaining volume based market share within

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

the different automotive segments it serves pushes the company towards using *volume* as the main *Direct Contribution* category to identify *key* customer accounts.

| Core Category | Sub Core Category | Categories | Item definition |
|---------------|-----------------------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ERVs | Direct Value Contribution | | Includes activities and resources of the supplier firm and customer firm that may create value to the supplier without being dependent upon other (connected) relationships (Walter et al 2001). This Sub- Core Category has an immediate effect on the partner firms. |
| | | Profit | Refers to the positive cash flow generated for the supplier due to the association with a customer firm (Walter et al 2001). In this research the usage of this term refers to the individual customer level profitability. Characterised by revenues from every individual customer minus the direct product costs and the cost to serve that customer. |
| | | Volume | Refers to the ability of the supplier to sell sufficient quantities of the product to a particular customer in order to allow the supplier to operate on a profit making basis |
| | Indirect Value Contribution | | Includes activities and resources of buyer and supplier firms that may create value in the longer term due to it being connected or dependent upon other relationships in the network (Walter et al 2001) |
| | | Market | Refers to supplier's ability to gain access to new markets and new customers through the relationship with an existing customer (Walter et al 2001) |
| | | Innovation | Supplier's ability to gain technological know how, creative ideas and products through the association with a customer (Walter et al 2001) |
| | | Access | Supplier's ability to reach third parties through a customer association to ensure value in the long term |
| | | Customer Strategic Fit | Refers to how well a particular customer aligns with the supplier's overall business strategy (for e.g. the customer might be currently profitable but the supplier does not intend to be in the business in the longer term) |
| | | Competitor Denial | Supplier's ability to diminish the competitor's ability to gain a certain customer's business or enter a certain market |
| | | | |

Table 2: Oilco ERVc Categories and Sub-Core Categories

Four *volume* sub-categories (see Table 3 below) are used for identifying *key* OE customers at Battco (*current volume contribution*, *potential volume contribution*, *aftermarket retention capability* and *volume significance*) and just one - i.e. *current volume contribution* - is used to choose *key* trade customers. After identifying its key accounts based on the parameters discussed above, individual ERVc needs are incorporated and the

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

customers are served accordingly. This is reflected in the exchange mechanism and adaptations made for such customers.

| ERVs category | Sub categories | Item Definition |
|---------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Volume | Present Volume Contribution | <i>Current product volumes provided by a customer</i> |
| | Potential Volume Contribution | <i>Future product volumes expected from a particular customer</i> |
| | Aftermarket Volume Retention Capability | <i>Battco's ability to retain the end customer when the OE (factory) fitted battery comes up for replacement in the future</i> |
| | Volume Significance | <i>Importance levels attached to aftermarket volumes generated by a particular customer</i> |

Table 3: Volume Sub Categories used by Battco

Research Question 2: *What exchange mechanisms are used by the two organisations to manage their portfolio of customer relationships and what actors are involved in these exchange mechanisms?*

The Exchange Relationship Mechanism adopted by Oilco is based on a three-pronged strategy (*Cost Excellence, Value Added Selling Relationships, and Sustainable Collaborative Relationships*). This strategy has come about after the segregation of its entire customer portfolio into three overall classifications based on ERVc and balancing this understanding with the limited scalability of the company's infrastructure.

"...first is about cost excellence... (second is about) being value-led... the third leg is indeed relationship marketing for those Key Accounts..." (OC 19).

The above has been operationally implemented using 4 distinct exchange mechanisms. There are four distinct *portfolio interaction interfaces* managed by four different lead managerial levels with the Customer Service Centre being the most transactional, followed by office based account managers, field based account managers and the Key Account Manager (KAM) being the most relational. Oilco has made technology (communication) orientated asset investments in the last five years to enable it to transfer many of its *core value-seeking* customers onto this model where the human or personal interaction levels are minimal. Thus, the cost-to-serve such customers have reduced dramatically after the adoption of such non-human orientated assets. Findings suggest that Oilco's customer base consists of customers that span the entire relational value spectrum (Möller and Törroen, 2003), and this requires the organisation to have basic production and delivery capability (Möller and Törroen, 2003) to achieve cost excellence and to serve its core value-seeking customers who are usually price sensitive. Thus, it is difficult for Oilco to expect higher price margins from such customers. It is also important for Oilco to have relational capability (Möller and Törroen, 2003) in varying degrees for its added value as well as future value-seeking customers. This capability is achieved through the Office Based Account Managers (OBAM), Field Based Account Managers (FBAM) and KAM as the portfolio interaction interfaces for such customers. Innovation capability (Möller and Törroen, 2003) is required for those future value-seeking customers whose 'supplier expertise' (ERVc category) requirements go beyond routine or regulatory improvements. Oilco has abandoned the *Silo based Class of Market* approach it had earlier for customer segmentation and has created four standardised structures that are common to all customers (whether bitumen, industry, transport, automotive etc.).

Battco, in comparison, has a multiple layered traditional sales and marketing structure. The company has a region based hierarchical sales structure for its automotive battery target segments. Every trade customer, regardless of size and importance, has a field sales officer (FSO) designated to him. Thus, the *Lead Managerial Level* at all times is the FSO and he remains the key point of contact for the largest as well as the smallest customer. Of course, the interaction levels increase as the importance levels of the customer

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

increase. This is reflected in the Breadth of contact between Battco and the particular customer. However, this is not a regimented or formal process. Similarly in the Original Equipment (OE) customer context, the *Lead Managerial Level* remains the same for key as well as other OE customers. The OE regional business manager looks after the day-to-day activities related to OE customers, and is the key point of contact for any issues that the customer may have. Importance levels attached to the customer are reflected in the greater *Breadth of Contact* between Battco and the key OE customer.

Findings suggest that, unlike the first case context, Battco has built an inherent relational capability (Möller and Törroenen 2003) for a higher proportion of customers when compared to Oilco. On the surface, there is very little to distinguish between the exchange mechanisms adopted for key and other customers. Battco would ideally like to retain all of its customers because of the focus on enhancing sales volumes. Thus, the organisation wants to open up every avenue to be able to keep pushing product volumes. For this reason, Battco finds it difficult or does not prefer to resign customer accounts.

Research Question 3: *What levels of adaptation and flexibility are provided to customers within the portfolio?*

There are similarities in the two companies’ approach to how accommodating they are to a customer’s specific needs or if the customer wants specific adaptations. Oilco’s introduction of sales guidebooks provides certain standard *menu options*, and these menu options increase as the portfolio interaction interface changes from a totally remote Customer Service Centre (CSC) to a more face-to-face based interaction provided by the Field Based Account Manager (FBAMs).

“We now have what we call the customer offer book which will tell the sales people what you can offer to the customer”(OC 33).

Other one-to-one arrangements are discouraged (and are usually declined) and special business cases have to be raised before such an accommodation can be made towards the customer. The KAMs have a little more freedom due to the nature of and importance levels attached to their accounts. Even in such cases, only *planned* and *formal* adaptations (Brennan and Turnbull, 1999) are allowed on a case-by-case basis. Thus, Oilco has created ‘deterrents’ as mentioned in the statement below.

“A good Account Manager will, see a business case need as, God! I need to do this, I’ve got to write a business case, ok, how do I do it, I mean who do I need to help me? whereas somebody who’s perhaps just flying a kite to see if they can, to gain some extra resource, won’t go through that process, so a deterrent yes, but a healthy one”(OC 19).

Battco has a similar regimented approach to adaptation and flexibility for trade customers. The implementation of Enterprise Resource Planning Software SAP streamlined sales procedures and the various options that can be provided to the various trade customers. The customer facing personnel have standard sales guidebooks that highlight the procedures to be adopted when dealing with trade customers. However, the approach is remarkably different as far as the OE customers are concerned. There is evidence of both *planned* and *formal* adaptations as well as *unplanned* and *informal* adaptations (Brennan and Turnbull, 1999). This is attributable to the nature of the automotive battery business in India and the supplier’s heavy reliance on OE customers. Many of Battco’s processes are designed around their ERVc needs.

Summarising the CRPM Approaches for Oilco and Battco

Table 4 below summarises the two CRPM approaches of the two case study organisations.

| | Company | Oilco | Battco |
|--|---------|-------|--------|
|--|---------|-------|--------|

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

| | | | |
|-----|---------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------|
| 1. | Overall Industry Context | Extreme Maturity/Decline | Growth/Maturity Cusp |
| 2. | Type of Competition | Hyper-competitive, signs of consolidation | Fragmented but increasing |
| 3. | Marketing Objective | Improving Profitability | Increasing/Retaining Volume Based Market Share |
| 4. | Key Direct Contribution Parameter | Individual Customer Profitability | Volume (based on 4 sub categories) |
| 5. | Profitability Measurement Sophistication | Activity based costing procedures to calculate individual cost to serve | Product & Segment level profitability |
| 6. | Segmentation Procedure | 3 Overall classifications based on ERVc | Sectorisation/Segmentation based on Operational Considerations |
| 7. | Relationship Portfolio Management Approach | Dynamic Relationship Portfolio Management | (Hidden) Key Account Management |
| 8. | Role Played by Expected Relationship Value (Process Adopted) | | |
| 9. | Exchange Relationship Mechanism | 4 'Silo' based structures, ranging from transactional to relational | Multi layered less formal structure |
| 10. | Adaptation & Flexibility towards customers | Predominantly structured and based on predetermined framework | Structured for Trade customers, need based for OE customers |

Table 4: Comparing Oilco and Battco's Relationship Portfolio Approaches

Oilco's CRPM approach is akin to managing portfolios of various customer types and has four separate well defined exchange mechanism structures to manage its array of customers classified according to ERVc. There are three increasing ERVc based customer classifications– Core Value Seekers, Added Value Seekers and Future Value Seekers. The exchange mechanisms adopted by Oilco range from transactional (remote contact) on one hand to relational (Key Account Management) on the other. The portfolio interaction interface between Oilco and its classified customers is determined after factoring in both ERVc and ERVs. There is evidence of lateral movement of customers across the four different lead managerial levels by Oilco. This is dictated by not only ERVs to Oilco but also other factors such as individual customer interaction preference, complexity of the customer's business as well as the *relative dependence* between Oilco and its various customers. There is also evidence that Oilco drops customers or transfers them to other (cheaper) portfolio interaction interfaces on certain strict guidelines that are primarily dictated by the company's inability to improve individual level customer profitability. Oilco's relationship portfolio management strategies also meet the criteria laid down by Ryals (2006) for true customer relationship portfolio management (allowing exit as well as the entry of key customers if they no longer meet the criteria for portfolio membership), since there is dynamic customer migration along the four different portfolio interaction interfaces. This is dependent on both direct as well as indirect contribution to ERVs. If these set criteria are not met, Oilco does not hesitate in dropping customers completely as is indicated by interview responses from Oilco employees indicating the types of customers that are served in the portfolio:

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

“Are they profitable?-Yes they are? Great you’re in...Can we make you profitable? Can we pull a lever that makes you profitable? Yeah?- You’re in as well.”(Direct quote from AV 1).

However, as outlined above profitability is not the only criteria used to ascertain whether a particular customer should be retained within the portfolio. A final group of customers are retained, by checking:

“Are you strategic to us? Are you where we want to be, original equipment manufacturers, big construction companies, big automotive manufacturers” (Direct quote from AV 1).

Oilco has a *Dynamic Relationship Portfolio Management* approach, acknowledging that this dynamism can lead to a ‘leaky bucket’ of customers (Johnson and Selnes, 2004; p. 15) with customers leaving and new customers having to be attracted to the company. However, this approach with its inherent costs is better for achieving optimum ‘value’ from its portfolio of customers, than maintaining non-profitable relationships.

Battco provides little evidence of *true* portfolio management (Ryals, 2006) at the key customer account level. It treats each key customer account as an individual case and manages the relationship accordingly, with a much more flexible approach. This phenomenon is understandable considering the size and importance of these customers. Even though Battco is able to take calculated risks and invests in customers, and is also willing to incur losses if it sees longer-term value in doing that, the true portfolio approach is not necessarily prevalent.

‘We don’t make any institutionalised assessments, because then it becomes a very cold thing. It is like saying how do you assess that your marriage is succeeding. You can’t take a register and start writing down. You just have to treat any relationship in its totality’ (BC 1).

Only under extreme circumstances does Battco decide to exit existing Original Equipment business. Even in the trade segment, customers are resigned only if the circumstances are extreme (for example, violation of the exclusivity clause). Findings suggest that there is a certain informal approach to its ‘key’ account management strategy. Wengler *et al* (2006, p.109) refer to this as *Hidden Key Account Management*.

Discussion

None of the case contexts under study use a matrix-orientated approach to analyse its current base of customers or to implement strategies thereafter. Matrix approaches have been proposed by authors such as Fiocca (1982), Dubinsky and Ingram (1984) and Krapfel *et al* (1991) as a valuable concept for visualisation of and managing customer portfolios. This research does find credence for doubts raised by researchers such as Sutton-Brady and Oliphant (2005), Leek *et al* (2004) and Olsen & Ellram (1997) on the use of matrix orientated customer relationship portfolio models by practitioners. Research in the two contexts indicates that the organisations have their own ‘customised’ ways of classifying and managing customers, though the process is less formal in the second context (Battco).

However, both Oilco and Battco are using some of the variables used or proposed by customer portfolio researchers in their various matrix-orientated approaches to varying degrees. Thus, with reference to the existing customer relationship portfolio literature, Oilco’s customer portfolio management process can be envisaged as a complex combination of a number of variables. Many of these have already been proposed by various researchers such as Fiocca (1982) - *difficulty in managing* and *strategic importance*, Cunningham and Homse (1982) - *sales volume*, Campbell and Cunningham (1983) - *power balance*, Dubinsky and Ingram (1982) - *present and potential profit contribution*, Shapiro *et al* (1987) – *net price* and *cost-to-serve*, Krapfel *et al* (1991) – *relationship value* and *interest commonality*, Rangan *et al* (1992) – *price* and *cost-to-serve* and Turnbull and Zolkiewski (1997) – *cost-to-serve*, *net price* and *relationship value*. However, most of these variables proposed can be encompassed into the *Relationship value* construct that has been proposed by Krapfel *et al* (1991) and Turnbull and Zolkiewski (1997) as an important dimension for managing customer portfolios. More specifically, in this study, ‘Expected Relationship Value’ has been treated as a higher order construct that encapsulates most of the dimensions that have been suggested by researchers previously.

The same holds true for Battco, which manages its portfolio of customer relationships, based predominantly on a thorough understanding of the *Volume* sub-categories. *Volume* itself is one of the *direct contribution* categories of ERVs. Thus, in this second context, the ‘measurement’ of ERVs takes precedence over ERVc. The exchange mechanisms adopted in the two contexts reflect both transactional and relational characteristics, though it is more prevalent in Oilco’s case. Transaction orientated exchange mechanisms are employed by organisations not only as a customer acquisition exercise or for shorter-term transactional customers, but also for longer-term customers who have been interacting with the supplier organisations for a considerable period of time. Thus, research findings support Johnson and Selnes’ (2004, p. 14) contention that “*marketers take a more comprehensive view of offensive and defensive marketing strategies than currently exists.*” According to Johnson and Selnes (2004), offensive marketing’s purpose is not only to acquire customers but also to provide a basis for customer portfolio development.

Conclusion

This research represents an attempt to provide a broad based theoretical perspective on CRPM through investigating the actual processes used by selling organisations in two different contexts to manage their portfolio of customer relationships. Thus, it is an attempt to move customer relationship portfolio theory from its existing matrix-orientated approach, essentially derived from concepts within other related management disciplines rather than from the examination of reality, to a broader perspective that ‘captures’ other relationship management concepts which may be used by selling organisations in tandem with, or to operationally implement its CRPM strategy. The need to follow a flexible but structured process of ‘*discovering regularity*’ and also a ‘*what is going on here*’ descriptive approach led to the adoption of a grounded theory approach in conjunction with the case study method, a method not tested previously in customer relationship portfolio research.

This research compares CRPM approaches in the UK and India. This by itself is significant since very little business relationship management research has been conducted in the Indian context. This is surprising and, a major gap in the literature considering the growing impact that countries such as India and China are having on global business practices. There are key differences in the approaches adopted in the two contexts as highlighted in Table 4 above.

This research shows that CRPM is a context dependent phenomenon. Leaving aside the impact of cultural differences, which this study has not addressed, there are vast differences between the two organisations, which impact their customer relationship portfolio management strategy. Oilco finds itself in an extremely mature/declining UK market context and its focus has shifted towards ‘sweating’ or getting the most out of the existing assets it has deployed within its operations in the UK. As such its CRPM is very focused on the accurate calculation of individual customer profitability and the management of relationship profitability. It is an example of a company that does not want to make any further major resource investments in the UK market. Oilco’s capital deployment is shifting towards emerging growth markets, such as India and China. Battco, on the other hand, is operating in a market that is still showing signs of growth. This growth is being largely fuelled by the overall economic progress being made in the Indian context. Thus, the company is willing to invest in enhancing its resource base and its infrastructure capacity. This is reflected in the adaptations and investments it makes for specific customer relationships. It treats relationships holistically, concentrating on their likely overall long-term value to the organisation and therefore does not invest in clinically studying individual relationships in detail, nor does it expect its staff to focus on managing customers in a portfolio of different classifications.

Recommendations for Business

‘Real’ portfolio management implies the ‘exit’ as well as ‘entry’ of customers if they no longer meet the criteria for portfolio membership (Ryals, 2006). Thus, the selling organisation that adopts a portfolio approach has to keep this in mind and has to have certain fixed measures and parameters for judging the performance of its customer accounts. For example, Oilco measures customer account performance on certain ‘strict’ measures that are based around *return on capital employed* (ROCE). Thus, a below par ROCE triggers changes in the exchange and adaptation mechanism adopted by the organisation. However, if the customer contributes towards the *indirect* component of ERVs, then there is more deliberation while making ‘exit’ decisions. Such a regimented approach (or working within a framework) might require retraining for key account managers and other sales personnel who would have to function differently once such a portfolio approach is implemented (requiring tougher negotiations with customers) and this would reflect in the interactions between them and their customers.

However, it must be added that at times a (true) portfolio approach might be counter-productive since it tends not only to take flexibility away from key account managers and other sales personnel but reduces the customer’s flexibility as well since he too has to work within certain parameters. Thus, it is advisable that a supplier first understands his own base of customers in terms of relative dependence, whether they are commodity/added value seekers, their competitive options, markets, etc. Alternatively, the organisation would do well to build certain levels of flexibility (for itself and for its customers) in their own processes to be prepared for any sudden changes in market dynamics.

Limitations of Research

This research cannot be classified as a buyer-seller dyadic study since it focuses on the supplier’s perspective. The researchers acknowledge that dyadic data would have presented a richer picture. However, the main objective of this research was to understand how the supplier understands the customer’s perspective. Thus, the customer side is not neglected altogether but analysis of it is based on how the supplier comprehends the situation and takes measures accordingly. A customer relationship portfolio approach would be based on a supplier’s understanding of its customers and of itself (in terms of resource capabilities, etc). Thus, it is contended that the aims and objectives of this study are not compromised because of this limitation.

Acknowledgements

Dr. Malobi Kar, for examining the audit trail of this research.

References

- Brennan, D.R. (1998) ‘Adaptations in inter-firm, buyer-seller relationships’ *PhD Thesis, UMIST, Manchester*.
- Brennan, D.R. and Turnbull, P.W. (1999) ‘Adaptive Behaviour in Buyer-Supplier Relationships’ *Industrial Marketing Management*, Vol. 28, pp. 481-495.
- Brown, R. (1991) ‘Making the Product Portfolio a Basis for Action’ *Long Range Planning*, Vol. 24, No. 1, pp. 102-110.
- Campbell, N.C.G. and Cunningham, M.T. (1983) ‘Customer analysis for strategy development in industrial markets’ *Strategic Management Journal*, Vol. 4 pp.369-80.
- Charmaz, K. (1983) *The grounded theory method: an explication and interpretation*’ In Emerson, R.M., (Ed.), *Contemporary field research: A book of Readings*. Boston: Little, Brown. pp 109-126.
- Chesler, M.A. (1987) ‘Professionals’ view of the Dangers of Self-Help Groups: Explicating a Grounded Theoretical Approach’ *Centre for Research on Social Organisation, Working Paper Series*. Department of Sociology, University of Michigan, Ann Arbor.
- Creswell, J.W. (1998). *Qualitative Inquiry and Research Design; Choosing Among Five Traditions*. London, New Delhi, Thousand Oaks, Sage Publications.

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

- Cunningham, M.T. and Homse, E. (1982) 'An interaction approach to marketing strategy' in Hakansson, H. (Ed.), *International Marketing and Purchasing of Industrial Goods*, John Wiley & Sons, New York.
- Dibb, S. and Simkin, L. (1994) 'Implementation problems in industrial market segmentation', *Industrial Marketing Management*, Vol. 23, pp.55-63.
- Dickson, P.R. (1983) 'Distributor portfolio analysis and the channel dependence matrix: new techniques for understanding and managing the channel', *Journal of Marketing*, Vol. 47, pp.35-44.
- Dubinsky, A.J. and Ingram, T.N. (1984) 'A portfolio approach to account profitability' *Industrial Marketing Management*, Vol. 13 pp.33-41.
- Eaves, Y. D. (2001) 'A Synthesis technique for grounded theory data analysis', *Journal of Advanced Nursing*, Vol.35, No. 5, pp. 654-663.
- Eng, T-Y. (1999) 'An empirical investigation into strategic management theories with reference to a portfolio of customer relationships in the services sector', *Phd dissertation*, UMIST, Manchester.
- Fiocca, R. (1982) 'Account portfolio analysis for strategy development', *Industrial Marketing Management*, Vol. 11 pp.53-62.
- Ford, D. (1997) *Understanding Business Markets: Interaction, Relationships and Networks*, The Dryden press, 2nd Edition.
- Ford, D., Gadde, L.-K., Håkansson, H., Lundgren, A., Snehota, I., Turnbull, P., Wilson, D. (2003) '*Managing Business Relationships*', 2nd Edition, John Wiley & Sons, Chichester.
- Gelderman, C.J. (2003) 'A portfolio approach to the development of differentiated purchasing strategies' PhD Dissertation, Eindhoven Institute of Technology.
- Glaser, B. G. (1992) '*Basics of grounded theory analysis: Emergence vs. forcing*' Mill Valley, CA: Sociology Press.
- Glaser, B. & Strauss, A. (1967) '*The discovery of grounded theory: Strategies for qualitative research*' New York. Aldine.
- Gluck, F. (1986) 'Strategic Management: An overview' *In Handbook of Strategic Planning* Gardner, R.J., Rachlin, R. and Alan Sweeney, H.W. (eds), Wiley Interscience, N.Y.
- Hakansson, H. ed. (1982) '*International Marketing and Purchasing of Industrial Goods: An Interaction Approach*'. Chichester, UK: John Wiley & Sons.
- Hooley, G.J. and Saunders, J. (1993) '*Competitive Positioning: the key to marketing strategy*' Prentice Hall International (UK) Limited.
- Johnson, M.D. and Selnes, F. (2004) 'Customer Portfolio Management: Toward a Dynamic Theory of Exchange Relationships', *Journal of Marketing*, Vol. 68. (April), pp. 1-17.
- Krapfel, R.E.Jr , Salmond, D.S.R. and Spekman, R.E. (1991) 'A Strategic Approach to Managing Buyer-Seller Relationships' *European Journal of Marketing*, Vol. 25, No. 9, pp. 22-37.
- Leek S., Turnbull P.W. and Naudé P. (2004) 'A Comparison of Manufacturers and Financial Services Suppliers' and Buyers' Use of Relationship Management Methods', *Industrial Marketing Management*, Vol. 33, No. 3 pp.241-250.
- Leek, S., Turnbull, P.W. and Naudé, P. (2002a) 'Classifying Relationships as Successful and Problematic: Theoretical Perspectives and Managerial Implications' *Research paper*
- Leek S., Turnbull P.W. and Naudé P. (2002b) 'Managing Business-to-Business Relationships: An Emerging Model', *Journal of Customer Behaviour*, Vol. 1 No.3, pp. 357-376.
- Macneil, I.R. (1983) 'Values in contract: internal and external', *Northwestern University Law Review*, Vol. 78, pp.340-418.
- Miles, M. B., & Huberman, A. M. (1994) 'Qualitative data analysis' (2nd ed.). Thousand Oaks, CA, Sage.
- Möller, K.E. & Törroenen, P. (2003) 'Business Supplier's Value Creation Potential: A Capability-based Analysis' *Industrial Marketing Management*, 32, pp. 109-118.
- Naudé, P. (2005) 'Comments on Power to all our friends? Living with imbalance in supplier-retailer relationships by Martin Hingley' *Industrial Marketing Management*, Vol.34, pp. 867-869.
- Olsen, R.F. and Ellram, L.M. (1997) 'A portfolio approach to supplier relationships' *Industrial Marketing Management*, Vol. 26 pp.101-113.
- Patton, M. Q. (1990) '*Qualitative evaluation and research methods*' Newbury Park, CA: Sage.
- Pettigrew, A.M. (1990) 'Longitudinal Field Research on change: Theory and Practice' *Organisational Science*, Vol. 1, No. 3 pp. 267-292.

Comparing Customer Relationship Portfolio Management Practices in the UK and India: A Case Based Empirical Investigation

- Rajagopal and Sanchez, R. (2005) 'Analysis of customer portfolio and relationship management models: bridging managerial dimensions', *Journal of Business and Industrial Marketing*, Vol. 20, No. 6, pp. 307-316.
- Rangan, V. K., Moriarty, R.T. and Swartz, G.S. (1992) 'Segmenting Customers in Mature Industrial Markets,' *Journal of Marketing*, 56 (October), pp. 72-82.
- Rorty, R. (1999) *Philosophy and Social Hope* London: Penguin Books.
- Richards L. and Richards T. (1991) 'The Transformation of Qualitative Method: Computational Paradigms and Research Processes' In Nigel G. Fielding and Raymond M. Lee (eds), *Using Computers in Qualitative Research*, London: Sage. pp. 38-53.
- Ryals, L. (2006) 'Profitable relationships with key customers: how suppliers manage pricing and customer risk' *Journal of Strategic Marketing*, Vol. 14, pp. 101-113.
- Shapiro, B.P., Rangan, V.K., Moriarty, R.T., Ross, E.B. (1987) 'Manage customers for profits (not just sales)' *Harvard Business Review*, pp.101-8.
- Stake, R. E. (1994) 'Case Studies'. In N. K. Denzin and Y. S. Lincoln (eds.), *Handbook of Qualitative Research*. Thousand Oaks, CA: Sage.
- Stern, P. N. (1994) 'Eroding grounded theory'. In J. M. Morse (Ed.), *Critical issues in qualitative research methods* (pp. 212-223). Thousand Oaks, CA: Sage.
- Strauss, A. & Corbin, J. (1990) '*Basics of qualitative research: Grounded theory procedures and techniques*', Newbury Park: Sage.
- Sutton-Brady, C.J. and Oliphant, K. (2005) 'Relationship Management in the Australian Wine Industry. A Pilot Study' *Proceedings of the 21st IMP conference*, University of Maastricht, Rotterdam.
- Terho, H. (2006) 'The Challenge of Business Context for Customer Relationship Management' *Proceedings of the 22nd IMP conference*, Universita Bocconi, Milan
- Turnbull, P.W. (1990) 'A Review of Portfolio Planning Models for Industrial Marketing and Purchasing Management', *European Journal of Marketing*, Vol. 24 No.3, pp.7-22.
- Turnbull, P. and Topcu, S. (1994), Customer Profitability in Relationship Life Cycles in Biemans, W. and Ghauri, P. eds, *Proceedings from the 10th Annual IMP Conference*, Groningen, The Netherlands.
- Turnbull, Peter W. and Jean-Paul Valla (1986), *Strategies for International Industrial Marketing: The Management of Customer Relationships in European Industrial Markets*, London: Croom Helm.
- Turnbull, P.W. and Zolkiewski, J.M. (1997) 'Profitability in customer portfolio planning', in Ford, D. (Eds), *Understanding Business Markets*, 2nd ed., The Dryden Press, London.
- Turner, B. A. (1983) 'The use of grounded theory for the qualitative analysis of organizational behaviour', *Journal of Management Studies*, 20(3), pp. 333-348.
- Ulaga, W (2003) 'Capturing Value Creation in Business Relationships: A Customer Perspective' *Industrial Marketing Management*, 32, 677-693.
- Ulaga, W., and Eggert, A. (2003) 'Relationship value in business markets: Development of a measurement scale' *Working Paper Institute for the Study of Business Markets, Pennsylvania State University, Rep. 2*.
- Walter, A., Ritter, T., Gemünden, H.G. (2001) 'Value-creation in buyer-seller relationships: theoretical considerations and empirical results from a supplier's perspective', *Industrial Marketing Management*, Vol. 30 No.4, pp.365-77.
- Wengler, S., Ehret, M. and Saab, S. (2006) 'Implementation of Key Account Management: Who, why and how?: An exploratory study on the current implementation of Key Account Management programs' *Industrial Marketing Management*, Vol. 35, pp. 103-112.
- Wind, Y., Mahajan, V. and Swire, D.J. (1983) 'An Empirical Comparison of Standardized Portfolio Models' *Journal of Marketing*, Vol. 47 (Spring), pp. 89-99.
- Yorke, D.A. and Droussiotis, G. (1994) 'The use of customer portfolio theory: an empirical survey', *Journal of Business and Industrial Marketing*, Vol. 9 No.3, pp.6-18.
- Zolkiewski, J. and Turnbull, P.W. (2002) 'Do Relationship Portfolios and Networks Provide the Key to Successful Relationship Management' *Journal of Business & Industrial Marketing*, Vol.17 No. 7, pp. 575-97.