Strategic account management: customer value creation through customer alignment

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Abstract

Purpose – The purpose of this paper is to develop an innovative conceptual view on the management of strategic or important customers in business markets, so-called (key) account management. Central to this new perspective is customer value creation through external customer alignment. The paper additionally proposes two propositions, based on quantitative empirical analysis and rooted in congruency, transaction cost economy and economic rent generation theory.

Design/methodology/approach – The study is quantitative research based on questionnaire survey.

Findings – The paper’s proposition is that account management can create important competitive advantages for companies which can acquire and develop the necessary organisational competences to implement an integrative process through alignment with strategic or important, well selected, customers.

Originality/value – Traditionally, most companies view account management as a sales activity. Views that are more recent consider it as a marketing activity with emphasis on relationship marketing. The paper’s approach, however, is to look at account management from an integrated business process perspective, encompassing marketing and sales as development activities as well. Two elements are central in the proposal: customer selection and alignment.

Keywords Accounts management, Key accounts, Sales management, Marketing management, Industrial marketing

Paper type Conceptual paper

An executive summary for managers and executive readers can be found at the end of this issue.

Introduction

Companies, in business and industrial markets, face high levels of competition in rapidly changing environments. This is mainly due to the impact of globalisation, maturity of business markets in most developed countries, the increased buying power of customers, the impact of information and communication technologies, and mass customisation (Gosselin, 2002). In order to bring stability to their operations, to respond quickly and flexibly to accelerating changes in technology, competition and customer preferences, companies have tried to create new forms of organisations (Homburg et al., 2000). These new organisational forms emphasise partnerships and strategic alliances with both customers and suppliers, and focus on relationship building through repetitive, rather than single, sales transactions.

Account management, being the management of dedicated sales and/or marketing processes (e.g. customer selection, customer satisfaction, channel management, relationship management, etc.) directed towards important customers in business and industrial markets, can be seen as a practical implementation of long-term buyer/seller relationships (Gosselin and Heene, 2005). From this relationship marketing perspective, account management is one type of seller-initiated (often defensive) partnership or strategic alliance, adapted to situations where structural change is due to supply base rationalisation. However, account management can also be seen as a proactive development towards a customer-focused organisation. Account management is then no longer the outcome of a defensive move, driven by competition or imposed by customers, but becomes part of the implementation of a customer-focused strategy. As such, account management is much more strategic. It contributes to the realisation of a unique selling position; therefore, it creates a competitive advantage that increases performance, which ultimately leads to shareholder value creation.

Despite its practical importance, academic interest in account management has been restricted to either describing it as: a new phenomenon of an innovative sales channel (1970s and 1980s); a practical application of relationship marketing (mid 1990s); or an innovative type of organisation capable of managing complex interactions with global customers (2000s) (Gosselin and Heene, 2003, 2005; Homburg et al., 2000; McDonald et al., 1997; Millman and Wilson, 1995; Weilbaker and Weeks, 1997).

Overall, for the period from 1975 to 2000, it can be stated that account management is an under-researched area. It is characterised by anecdotal evidence presented in a literature
that is practice-oriented and applied in nature. The dominant research method employed is the qualitative case study. This is because of the idiosyncratic nature of business markets and the complexity of the buying process. Theories that have been used as focal points in the discussion of account management are transaction cost economics (TCE) and, since the 1990s, relationship marketing theory. Even today, the literature on account management shows limited research from an organisational or strategic perspective. Consequently, definitions of fundamental concepts and theoretical knowledge (beyond knowledge of current practical implementation) are still poorly defined, missing or insufficiently developed. Publications in top academic journals, reflecting the interest in account management on the part of prominent academic scholars, only occurred after 2000 (e.g., Birkinshaw et al., 2001; Homburg et al., 2002; Wilson and Millman, 2003; Workman et al., 2003). Although there is a recent increase in high quality academic research interest, evidence indicates that the gap between practitioner knowledge and academic understanding is still large and may even have increased. Research, by McDonald and Woodburn (1999) shows that relationship-marketing paradigms applied to account management have not been fully understood by many practitioners in industrial and business firms. Consequently, many companies think in a rather confused way about account management.

The importance of account management derives from fundamental characteristics of business and industrial markets. Empirical observations show that revenues in business and industrial markets are Pareto distributed, i.e. 20 per cent of customers account for 80 per cent of revenues (Sheth and Parvatiyar, 2002). This results in a few powerful customers controlling an important portion of the suppliers' revenues and (possibly) profit. Over time, this revenue concentration, towards important customers, may even have increased in developed and mature business and industrial markets. Such changes have led to a further increase in the importance of account management. Figure 1 presents a schematic overview of driving forces, root causes and critical success factors, contributing to the increased importance of account management. Gosselin (2002, pp. 54-9), identified at least five driving forces leading to the increased importance of account management:

1. Characteristics of the revenue structure in business and industrial markets (i.e. Pareto distribution).
2. Globalisation, leading to global customers and the need to protect the customer base from competition.
3. Market maturity of most business and industrial markets, resulting in a reduction of the number of suppliers in global markets (i.e. mergers, acquisitions, strategic alliances).
4. Customer power due to the increasingly centralised organisation of purchasing by important customers in global markets.
5. Technological developments leading to mass customisation, acceleration in competition. Technological developments, together with globalisation, eventually bring about the phenomenon of industry consolidation.

The structure of our article develops three topics. First, we propose a new classification of the account management concepts based on buyer/seller strategic proneness interaction. In practice, account management means different things to different people, in different industries, in different types of companies and in different types of functions. Academics, consultants and managers all use different names for account management concepts and the same names for different account management concepts. Therefore, account management nomenclature has been and still is a source of confusion (Gosselin and Heene, 2005). Second, we formulate a new research proposition explaining how account management could create competitive advantage based on the creation of customer value. Central to our proposition is the customer alignment perspective. Finally, we discuss the organisational consequences of these new propositions from a practical point of view. More specifically, we consider both personal and organisational prerequisites necessary to create and develop a competitive advantage based on account management.

Account management: sources of confusion

Based on an extensive review of both academic and practice-oriented account management literature, we identified three distinct sources of confusion. The first source of confusion relates to the purpose: is account management a sales or a marketing activity? This boils down to the question: “Is account management responsible for relationship building and coordination with important customers or mainly responsible for (transactional) sales generation?” The second source of confusion relates to geographical scope: “Does account management show the same characteristics on a local, regional or global level, or does change in geographical scope imply corresponding changes in the organisational concept of account management?” The third source of confusion relates to a universal applicability question: “Is it possible to design and implement a single best account management organisation structure, applicable to most types of companies and independent of the complexity of: products, services or systems; customer organisation; supplier organisation; or environment?

Understanding the different sources of confusion will contribute to the enhancement of companies’ capabilities to create competitive advantages based on the creation of customer value. Since different sources of confusion are rooted in different levels of complexity, this will imply the need to create and implement different ways to approach customers from a sales or marketing perspective in order to be able to create customer value. In addition understanding those sources of confusion also implies specific structural organisation, designs, processes and interactions with customers. These considerations have implications for relationships within companies as well as between them. Those specific characteristics will lead to a new classification of important customers (see Figure 2).

Confusion between sales and marketing

Academic research on account management has a long tradition, going back to the mid-1970s (Gosselin and Heene, 2005; Weilbaker and Weeks, 1997). This academic research was based on experiments of leading and innovative companies in the USA who knew and used some account management concepts from the mid-1960s onwards. Account management originated as a response to pressure from important industrial customers, called major accounts or national accounts. Fuelled by economic growth, industrial companies extended their geographic coverage, and used their
purchasing power to force suppliers to create coordinated and client specific sales and service channel. (See Gosselin and Heene (2005) for an overview of different nomenclatures used in account management literature over the past 30 years.) Those new sales channels led, in the early 1970s, to the emergence of a new phenomenon in industrial sales management, the so-called national account management (NAM). The term “national” refers to the national coverage within the USA coverage. Suppliers had to put structures in place to service the most innovative and important customers who developed their business on a national scale. Because in the early 1970s neither relationship marketing, business marketing nor sales management had an extended academic body of knowledge, the literature on account management was mainly application oriented. It was characterised by an anecdotal and practical approach lacking basic theoretical foundations. Consequently, account management was studied as a new phenomenon from a practical, sales distribution oriented, organisational and implementation perspective (Gosselin and Heene, 2005). Account management literature during this period did not differentiate between a marketing or a sales approach. In practice however, account management was mainly driven by a defensive sales approach, imposed by important customers, in order to increase their service levels through a single point of contact. Differences in approach and maturity toward account management (e.g. sales vs marketing driven) could be found between, and within, different industries. Differences also existed between early adopters of account management and their followers, and between big and small companies (Gosselin, 2002;
Weilbaker and Weeks, 1997). Although this was the situation in the 1970s, very little had changed by 2002. During the 1980s and 1990s, Millman and Wilson (1995) proposed a relationship marketing-oriented approach towards account management. Their approach was a practical application of the basic buyer/seller relationship model developed by Dwyer et al. (1987). Today, account management still remains within the marketing literature as a practical application of either a sales management or relationship marketing approach.

The general position described in the previous paragraph was also found in Belgium in 2002, when we performed research. We distributed questionnaires to account managers from business and industrial companies. The main characteristics of the research design were as follows:

- The research population was Belgian business and industrial account managers from companies with annual revenues in excess of €25 million and more than 200 employees.
- The population size was 513 account managers (companies).
- The sample size was 115 account managers.
- The response rate was 22.4 per cent.

Companies in the sample are characterised by annual revenues averaging €128 million (median), and 673 employees (median) (see Table I).

Table I, shows that the duration of ongoing customer relationships were 15 years (median) and positioned in the mature phase of relationship development. Sales with the important customer were €8 million (median) and represent 6.25 per cent of the sample revenues. Account managers were, on average, very experienced persons, with more than 20 years of experience, who simultaneously managed 8 customers (median). The characteristics shown in Table I are in line with previous studies done in the UK and in the USA (Conlon et al., 1997; McDonald and Woodburn, 1999).

Table II summarises the level of development of the different subsystems of account management systems used by the companies studied in the research (n = 115). We found that account management systems were only “well to very well” developed in fewer than half of the companies (44 per cent). The most highly developed account management subsystems were sales-tracking systems and evaluation systems (44 per cent), while the least developed were career-tracking systems (17 per cent). We also observed that less than one-third of the companies invested in internal/coordination forums or platforms (29 per cent). This may indicate that account management is not considered to be of strategic importance to suppliers. Our research data support this assumption because only 36 per cent of the companies in our sample appointed a member of the executive committee as a mentor or as responsible for their account management processes. Table II indicates that because of the focus on sales and profit tracking systems and due to the number of accounts an account manager must manage, that the dominant concept behind account management was probably sales management rather than relationship management. We believe that, 20 years after the academic discussions started on relationship marketing, and in spite of the use of relationship marketing terminology by many companies in their communications, a majority of companies active in business markets, do probably not apply or do not fully understand relationship-marketing concepts in general, and specifically when dealing with account management.

Since the distinction between sales- or relationship-marketing approaches in account management is not always obvious (either in literature or in practice), it remains a source of confusion. As indicated by our empirical findings, in practice, the dominant implementation approach of account management remains sales oriented in most business and industrial companies.

**Confusion between local and global account management**

The second source of confusion relates to the impact of geography on organisational requirements. We believe account management, whether implemented from a sales or relationship-marketing perspective, will change dramatically when customers geographic scope changes. Geographical dimensions drive complexity within companies as well as between them in the buyer/seller relationship. If both supplier and customer organisations are complex, international or global companies, then the role of account management becomes a very complex coordination process between multiple legal companies, with multiple products, services or system needs, in
It is clear that to deal with this challenge account management organisations require an idiosyncratic (global) mirror structure of the (global) customer organisations so they can better interface (coordinate) with them. Confusion about account management organisations a bounds when local/regional suppliers, dealing with local/regional customers, talk about account management with international/global suppliers, dealing with international/global customers. The single point of commonality is that both types of supplier (local/regional vs international/global) talk about a dedicated sales or relationship channel towards customers. Beyond that single commonality, all other aspects are different and driven by the internal structural complexity of the supplier organisation, which aims to deliver customer performance. Reducing confusion requires identifying levels of complexity in terms of (at least):

- geographical scope;
- number of legal entities served;
- range of products, services or systems offered;
- technology used; and
- possibility of adding (substantial) value into the customer’s value chain.

### Table I Characteristics of the sample (n = 115)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Range</th>
<th>Response distribution (%)</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximate annual sales revenues of the account in 2001 (€ million)</td>
<td>2-8</td>
<td>50</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>9-24</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25-800</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Geographical scope of account</td>
<td>National</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td></td>
<td>International</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>Age of relationship with the account (years)</td>
<td>1-5</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>6-14</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 15</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Phase in the relationship with the account</td>
<td>Start-up</td>
<td>2</td>
<td>Mature</td>
</tr>
<tr>
<td></td>
<td>Expansion</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maturity</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decline</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Type of products or services offered to the account</td>
<td>Stand alone products</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Projects</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Turnkey solutions</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>System integration</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>The importance of the company as a supplier to the account</td>
<td>Single source</td>
<td>18</td>
<td>One of many suppliers</td>
</tr>
<tr>
<td></td>
<td>Lead supplier</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td></td>
<td>One of many suppliers</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Approximate percentage of the account’s overall input provided by the supplier company</td>
<td>&lt; 1</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>1-5</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 5</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Estimated time to win back the account in case the account is lost to competition (years)</td>
<td>0-1</td>
<td>34</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2-3</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 4</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Experience of the account manager with account management (years)</td>
<td>0-5</td>
<td>25</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 11</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Overall professional experience of the account manager (years)</td>
<td>0-10</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>11-20</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 21</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Number of accounts the account manager is responsible for</td>
<td>1-4</td>
<td>41</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>5-10</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 11</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>People working full-time on the account</td>
<td>0</td>
<td>32</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>1-5</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 6</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>People working part-time on the account</td>
<td>0</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>1-5</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; 6</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Percentage of account manager’s time spent managing the account</td>
<td>5-15</td>
<td>65</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>20-50</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>60-100</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>
Confusion between appropriate types of account management organisation

The third source of confusion has its roots in the fact that companies have a propensity to copy organisations of competitors in order to (re)gain competitiveness. In doing so, they tend to forget one of the fundamental strategy and organisational theory axioms, formulated by the mid-1960s, the congruency principle (Donaldson, 2001; Jauch and Osborn, 1981; Miles and Snow, 1994). Jauch and Osborn (1981) formulate this congruency principle in the following terms:

The probability of organisational survival increases as the congruity of environment, contextual, and structural complexity increases.

Porter (1996, p. 70) is even clearer when he states:

The importance of fit among functional policies is one of the oldest ideas in strategy. Gradually, however, it has been supplanted on the management agenda. Rather than seeing the company as a whole, managers have turned to “core” competences, “critical” resources, and “key” success factors. In fact, fit is far more central component of competitive advantage than most realize.

The congruency principle also means that it is impossible to design a universal and single best strategy, applicable to all possible situations. Applied to account management, the congruency principle means that companies must comprehend the key value creation drivers to create or enhance customer value, before deciding what type of account management organisation they need.

Based on the TCE (Williamson, 1985) and the Theory of Economic Rent (TER) generation, we can predict the extent to which suppliers, and hence account management organisations, will be more or less considered strategic (as opposed to transactional) by customers. According to the theory of economic rent, a supplier only captures rent (and maintains this rent in the long term) if he possesses a competitive advantage. We believe customer-supplier interactions will move toward a strategic relationship for the supplier when rent generation is high. In cases where rent generation is low, two explanations are possible. First, there may be high levels of competition due to limited differentiation possibilities. Second, there may be high levels of competition due to the structure of the industry. In both cases, however, competition is high, rent generation is low, and profit levels approach marginal cost. This logic will push suppliers into a cost leadership strategy. As a consequence (based on TCE), customers will start to behave opportunistically and try to capture the maximum value out of their interaction/exchange with the supplier who offers a limited range of products, services, systems or solutions (see commoditisation, commodity magnet (Rangan and Bowman, 1992)). Therefore relationships will move to more transaction-oriented interactions. It is important that suppliers realise what type of interaction they are involved in with their customers (strategic vs transactional). If only low customer value creation is possible, it will be very difficult to maintain a more than transactional relationship with the customer. It is better in such situations not to invest too much in relationship marketing, and design an account management organisation that is cost effective, sales driven, technology based and reactive.

Account management classification

Based on our previous discussions we propose a classification of account management based on two key variables: relationship proneness (RP) and competence development proneness (CDP). The choice of RP and CDP is theoretical rooted in the congruence theory. RP and CDP are strategic alignment variables between buyer and seller. They measure the extent to which each side of the dyad is willing to commit itself towards the other. Research done by Gosselin (2002) shows that strategic congruence between a buyer and seller is one of the dominant variables explaining account management performance.

Both CDP and RP can take, independent from each other, either a high or a low value. Therefore, we can acknowledge four types of important customers or accounts. We name them respectively (Figure 2): key account; strategic account; transactional account; and captive account. It is important to emphasise that all of these accounts or important customers can exist simultaneous within a single buyer firm. This is particularly relevant when dealing with global, international, multinational or industrial holding companies. Often, those types of companies organise themselves around multiple business divisions, units and/or business lines. We believe (based on our own experience) that account management structures should be organised in line with the strategic business units (SBU) of the customer’s organisation structure and not according to the legal company structure (i.e. one company does not imply one single type of account classification). Dealing with global, multi-business, industrial groups with multiple SBUs leads to coordination issues if the supplier does not use a mirror organisation of his customer. Mirror organisations are a form congruency of strategic alignment between customer and supplier.
Based on our account classification approach, we think only two attractive and sustainable customer relationships are possible. Relationships evolve either towards a partnership or towards a strategic alliance (i.e. strategic account), or towards transactional sales (i.e. transactional account). Key accounts and captive accounts provide no stable, long-term relationship positions. The reason is that both miss an essential element of mutual proneness to create a stable long-term relationship. This leads us to propose four possible account management strategies (Figure 2): two dominant account management strategies for each of the two unstable customer relationship positions.

CDP (H – high) and RP (L – low)
In this situation the supplier wants a relationship with the customer (CDP high), but the customer is not prone (RP low) to maintain a relationship with the supplier:

- **Strategy A.** Invest in the relationship if the customer is willing to consider your offer from a strategic point of view.
- **Strategy B.** Reduce investment with the customer; consider this customer no longer a potential strategic account. Try to service the customer in a cost effective way (e.g. through technology – telesales, web-based sales, SAS sales automation systems, etc . . .).

CDP (L – low) and RP (H – high)
In this situation the customer wants a relationship with the supplier (or a relationship is imposed with the supplier) (RP high), but the supplier is not prone (CDP low) to maintain a relationship with the customer:

- **Strategy C.** Invest in specific solutions in order to increase your competence level with or through this customer relationship.
- **Strategy D.** Harvest profits as long as possible. This is a particularly appropriate strategy when dealing with structural captive accounts that have no alternative.

**Strategic marketing approach: how to create customer value?**

This paper approaches account management from a conceptual, economic and strategic point of view. Our analysis and research (Gosselin, 2002) leads us to believe that in an increasingly complex business environment (see Figure 1) (e.g. globalization, pace of technological change, deregulation), rent generation through important customers in business markets will increasingly depend on external rather than on internal (organizational) congruence or alignment.

We define congruence according to the definition proposed by Gosselin (2002, p. 122):

[... ] a dynamic consistent relationship between two concepts or constructs.

We define rent, as the capability of a company to deliver value above its marginal costs or above its break-even point, as long as this situation does not create new competition. Rent is synonymous with economic profit (EP). EP is accounting profit (AP) (i.e. company profit reported in a profit and loss statement) minus opportunity costs. The concept of EP relates closely to the concept of net present value (NPV). It can be shown that when an investment has a positive rent, it will have a positive NPV (Besanko *et al.*, 2000, pp. 22-4). Rent generation also relates closely to competitive advantage, because no rent can be generated in the absence of a competitive advantage. This is a consequence of competition.

Indeed competition does two things to companies: it reduces profits to marginal cost level, and it keeps profits at that level over time. To be able to generate rents companies must therefore have a competitive advantage; otherwise competition will prevent them form earning much more than marginal cost. Four types of rent generation are described in the economic literature:

1. Ricardo rents (ownership of valuable assets);
2. Schumpeterian rents (entrepreneurial risk taking, innovative advantage);
3. monopolistic rents (government protection, collusion or cartel behaviour); and
4. Pareto rents or quasi-rent (idiosyncratic distribution of company resources).

Profits generated by a competitive advantage called “market driven customer value creation”, are due to Pareto-rents or quasi-rents. Pareto-rents originate from the possibility of creating a competitive advantage based on heterogeneous distribution of idiosyncratic resources between companies in the industry. This type of rent generation applied to account management is rooted in the theoretical interactions as presented in Figure 3. Customer selection based on external customer alignment will develop relationships with the customer, leading to an increase in customer loyalty. This loyalty creates a competitive advantage based on entry barriers (see replacement cost imposed on the competition if they want to recruit a customer). Those entry barriers, through the competitive advantage they create, are the basis for Pareto-rent generation. This competitive advantage will translate into an increase in “sales/customer” ratio and a decrease of “customer acquisition cost” and “customer cost to serve”. It leads to improvements in the contribution to margins, Free cash flow (FCF), customer lifetime value (CLV) and finally to an increase in shareholder value (SHV). We define customer lifetime value according to Kotler (2003, p. 45) as:

The present value of the profit stream that the company would have realised if the customer had not defected prematurely.

This must be compared to economic rent generation based on internal process alignment and based on the product concept (i.e. customers favour those products that offer the most quality, performance or innovative features) or the production concept (i.e. customers prefer products that are widely available and inexpensive) business philosophy. Companies with a production-oriented business approach favour high production efficiency, low costs, mass-distribution, while companies with a product-oriented approach favour high product quality, performance and innovative features. In those product or production business philosophies, shareholder value creation is driven by the relationships between: productivity increase, cost optimisation, sales growth, assets utilisation, margin increase. This leads to increases in FCF, CLV and SHV (Gosselin, 2002; Kotler, 2003; Morgan and Hunt, 1994; Reichheld, 2001).

We therefore formulate the propositions:

**P1.** In situations where complexity of buyer/seller dyad interaction increases, alignment towards important customers creates a competitive advantage through increase of customer value creation based on customer performance increase.

**P2.** This customer performance is rooted in systems architecture, processes and reputation.
Our propositions are important for academics as well as for practitioners. It is important for academics, because it allows quantitative hypothesis testing research on account management. Quantitative research on account management is of major importance since the main body of knowledge of account management consists of qualitative, case study research-based findings. More extensive knowledge on account management in business markets will require more quantitative research. It is important for practitioners, because account management is one of the single most important issues in (complex) business markets. This is related to the characteristics of business markets that are idiosyncratic, therefore calling for specific customer oriented approaches. Understanding how to create and maintain customer value with important customers is essential for building a (sustainable) competitive advantage leading to rent generation.

Practical consequences

First, our propositions stress the significance of important customer account selection as a possible key success factor for SHV creation based on external customer alignment. This means that not every customer, in business and industrial markets, can, must and/or should receive important resource allocations from the supplier company. This normative principle has been recognised in the literature on different occasions (Bonoma, 1985; Capon, 2001; Cespedes, 1995). Bonoma (1985) refers to the danger of global mediocrity if companies are not selective in resource allocation towards customers. Cespedes (1995) underlines the significance of long-term commitments in serving important customers in business markets. Capon (2001) stresses the importance of major upfront investments in order to create unique offers and trust build-up towards strategic important customers. McDonald and Woodburn (1999, p. 112) report, based on case study research, that: “Most companies’ selection processes are rudimentary and do not even reflect their behaviour towards relationships in many cases.”

Second, based on our proposed account classification and propositions, we claim that proactive account management is important and necessary. This is a consequence of our discussion on the importance of account selection. Being proactive will lead to commitment and focus and therefore build core competences according to the resource-based view theory (Barney, 2001).
Third, we believe that excessively formal account management organisations present some major disadvantages. This is because internal alignment within the supplier company seems not to contribute much in explaining account management performance. This is in line with research reported by Gosselin (2002) and by Workman et al. (2003). Most practitioners see this statement as counter-intuitive. It seems to be in opposition with some practical account management literature that proposes the elaboration of formal account plans, procedures and control. However, plans will not solve fundamental issue related to commitment and performance; neither will they solve fundamental strategic alignments between suppliers and customers.

Conclusions

An extensive review of both academic and managerial account management literature leads us to identify three distinct sources of confusion. Understanding these different sources of confusion will contribute to the enhancement of a company’s capabilities to create sustainable competitive advantages based on customer value creation. Since different sources of confusion are rooted in different levels of complexity, this implies the need to create and implement different ways to approach important customers from a sales or marketing perspective in order to be able to create customer value. In addition, understanding those sources of confusion implies specific structural organisation designs, processes and interactions with customers.

Congruence or alignment between customer and supplier is one of the key variables explaining account management performance. We introduced an account classification framework and believe only two sustainable customer relationships are possible. Relationships evolve either towards a partnership or strategic alliance (i.e. strategic account), or towards transactional sales (i.e. transactional account). Relationships with key accounts or captive accounts do not represent stable long-term relationship positions. The reason is that both miss an essential element for relationship stability: mutual proneness. This is needed in order to create a stable long-term relationship. Two dominant account management strategies for each of those two unstable customer relationship positions have been proposed.

Based on our proposed account classification and propositions, we conclude that in order to create customer value in business or industrial markets, management should answer some basic questions. We consider three questions fundamental and central:
1. Is top management sufficiently involved in the selection of strategic accounts?
2. Are strategic accounts contributing to the development of core competences?
3. To what extent do companies manage their strategic important accounts proactively?

Fundamentally, companies must make a choice in how to manage their priorities and their value creation processes. We think two business philosophies are possible. In the first philosophy, customers are used as a strategic cushion to stabilise internal operations in order to increase efficiency. In this case, internal resource conflicts are managed through processes such as delaying customer promises, changing scope, etc. In the second philosophy, companies that want to create optimal customer value and customer satisfaction use their internal operations as a cushion for managing resource allocation conflicts between customers. Here companies accept possible internal conflicts in order to fulfil customer promises and committed performance. The difference between the two philosophies is either external congruence/alignment towards carefully selected important customers (i.e. strategic accounts), or internal structural alignment in order to increase efficiency.

References


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