

Linking account portfolio management to customer information: Using customer satisfaction metrics for portfolio analysis

Osman Gök*

Yasar University, Faculty of Economics and Administrative Sciences, Department of Marketing, Turkey

ARTICLE INFO

Article history:

Received 6 December 2006
Received in revised form 18 January 2008
Accepted 18 February 2008
Available online 25 April 2008

Keywords:

Account portfolio management
Customer satisfaction
Key account management
Interfirm relationships

ABSTRACT

When appropriate variables are used, account portfolio analyses engender a convenient framework for the relationship composition of companies and allow management to reconsider which customers and relationship dimensions need attention. Based on an industrial company's key account relationships, the portfolio approach considered in this study employs Customer Satisfaction (CS) metrics as a portfolio dimension and suggests a new and more customer oriented approach to account portfolio analysis. Proposed portfolio matrices provide insights into the strength and stability of customer relationships. Furthermore, the matrices force managers to adopt a future perspective on customer relationships by evaluating the business potential of customers along with CS information and allow prioritization with respect to resource allocation. The study attempts to put forward customer heterogeneity in industrial markets and offers a managerial guideline embracing customer specific marketing actions. In addition, the paper proposes a new use for CS information in strategic decision making.

© 2008 Elsevier Inc. All rights reserved.

1. Introduction

Increasing competition, technological change and many well known environmental factors have encouraged companies to move away from fragile relationships between salesperson and buyer and to pursue customer retention and long term customer relations. Thus, many companies hope to gain competitive advantage by forming stronger relationships with fewer customers and suppliers. However, Zolkiewski and Turnbull (2002) argue that the successful adoption of these selective relations can be problematic and this is where portfolio analysis makes a major contribution to management.

Following Markowitz's (1952) portfolio theory, portfolio models have been used for strategic planning for decades (Ansoff & Leontiadis, 1976; Wind & Douglas, 1981). Recently, newer portfolio models have been studied in business domains related to customer relationships (Campbell & Cunningham, 1983; Fiocca, 1982; Johnson & Seines, 2004; Krapfel, Salmond, & Spekman, 1991; Yorke, 1984), supplier relations (Cunningham, 1982; Kraljic, 1983; Wagner & Johnson, 2004), technology (Capon & Glazer, 1987) and new product development (Cooper, Edgett, and Kleinschmidt, 1999).

Account portfolio analysis deals with grouping customers and developing meaningful strategies for each group incorporated into resource allocation decisions to meet marketing objectives. Portfolio analysis and management can be applied from multiple perspectives,

at various levels of aggregation, and with different strategic variables or portfolio components, depending upon the company's objectives and specific situations (Turnbull, 1990). Portfolio management tools have the potential to help businesses fine-tune their customer offerings and develop competitive advantage, in addition to aiding in strategic planning (Dibb & Wensley, 2002). The purpose of the study is to develop customer portfolios using variables that were determined to be important in previous studies along with the customer satisfaction (CS) metrics and to present the implications for marketing strategies and future resource allocation for key account portfolio. Directly integrating the CS dimension to account portfolio analysis, a concept that has not been studied previously, might present significant rewards to marketing academics and practitioners. Compared to other account portfolio dimensions, CS scores are customer-based, factual, numerical and convenient sources of information. The proposed framework extends the existing account portfolio approach by exploring an alternative strategic variable for customer portfolio development and searches for a junction to a significant customer orientation.

Although the CS literature proposes that firms employ CS information in almost all management decisions across all functional areas (Jaworski & Kohli, 1993; Piercy, 1996), Morgan, Anderson, and Mittal (2005) found that most firms use CS information as an input in only a limited number of decisions. Although CS is measured by many firms as part of quality systems standards, new studies and propositions are required for the efficient and convenient use of CS information in strategic decision making and management control systems.

* Kazim Dirik M., 364 S., No: 5, 35500, Bornova, Izmir-Turkey. Tel.: +90 232 461 41 11.
E-mail address: osman.gok@yasar.edu.tr.

Therefore, this study attempts to make a twofold contribution. First, the use of CS metrics for account portfolio analysis is discussed in terms of more customer-oriented account portfolio models. Second, CS information is considered as a strategic input for the management of account relationship portfolios and a new use for CS information in strategic decision making is proposed. These may reveal the actions necessary for the necessary relationships and may streamline the decision making process for suppliers' account portfolio management. Two portfolio matrices are proposed for this purpose including satisfaction scores of customers as a portfolio dimension and discussion turns on how a supplier can utilize the information gained from customers' positions on the portfolio grids. Since each relationship requires different types and degrees of investment and produces different outcomes (Cannon & Perreault, 1999), the study arrives at sound evaluations of individual customers.

2. Customer portfolio models

In line with the ascent of relational approaches in marketing, studies in dealing with the customer portfolio have been conducted for a couple of decades (Campbell & Cunningham, 1983; Dubinsky & Ingram, 1984; Eng, 2004; Fiocca, 1982; Johnson & Seines, 2004; Yorke & Droussiotis, 1994). These studies address company's account portfolio and group its customers to make the relationship portfolio efficient and balanced. Fiocca (1982) suggests a two-step customer portfolio analysis. First, all customers were classified according to their strategic importance and the difficulty of managing the account. Then, key accounts were analyzed using a second portfolio, including the dimensions of customer attractiveness and strength of the buyer-supplier relationship. Campbell and Cunningham (1983) classified customers into four life cycle segments as "Yesterday's customers", "Today's regular customers", "Today's special customers" and "Tomorrow's customers". Dubinsky and Ingram (1984) put forward a profitability perspective and developed a portfolio that considered the present and potential profit contribution of customers. In addition, Krapfel et al. (1991) suggested a path to operationalize the constructs of relationship value and interest commonality and then offer classifications for relationship types and management modes in a theoretically grounded structure.

Yorke and Droussiotis (1994) based their portfolio dimensions on Fiocca's analysis, but also including the factor of customer profitability and offering a convenient portfolio approach using a case study. Zolkiewski and Turnbull (2002) evaluated the relationship portfolios in the context of network theory and proposed that such portfolios might be a key factor in successful relationship management. Recently, Johnson and Seines (2004) introduced a model that links value creation within individual customer relationships with overall value creation for a firm and classified customers as acquaintances, friends, and partners.

Recent changes in interfirm management approaches, increases in pressure for competitive advantage, and increasingly turbulent global environments are harbingers for a revamping of portfolio thinking (Wagner & Johnson, 2004). Although the portfolio approach is a well established area of business studies, Eng (2004) argues that the guiding principle of different customer portfolio dimensions is often based on the notion that environmental forces (e.g. market growth, competition, technological factors) are uncontrollable or strategic decisions are based on adapting the company to its environment. Despite the wide recognition of customer and market oriented approaches in the marketing domain, account portfolio models have not adequately involved in real customer information and analysis have mostly been designed as supplier-centric. The logic lying behind the account portfolio approach is an assessment of customer composition and development of relevant strategies for different groups of accounts. Even though the logic seems to address a significant customer orientation, the methodology used contains

virtually no customer involvement. Such a vital process should not be based solely on independent evaluations from customers and selling companies' own assessments about relationships. Integrating customer information to account portfolio analysis may provide a more customer-focused evaluation process and tailored strategy for account relations.

2.1. Key account management

As an extension of the portfolio approach, Key Account Management (KAM) is regarded as one of the significant marketing trends over the last few years (Abratt & Kelly, 2002). Key accounts are customers in a business to business market identified by selling companies as of strategic importance (McDonald, Millman, & Rogers, 1997). Hence, KAM means identifying these customers and giving them specific and personalized treatment (Pardo, 1999). Key accounts between themselves, even within the same industry, may well display heterogeneity, either in structure, operations or in strategy (Spencer, 1999). Thus, an understanding of the different types of accounts and the importance they have for the supplier company is important. The position that the key account will have within the supplier's portfolio is a major consideration when implementing the KAM program (Abratt & Kelly, 2002). Millman and Wilson (1995) point out that each key account should be considered a segment, requiring a different allocation of resources to the relational mix. In this sense, this paper tries to develop a diagnostic tool that can be used to support customer analysis involved in the KAM process and proposes bespoke relationship strategies through a convenient managerial approach.

Many KAM applications are established and managed without investigating what the customer wants or needs in service, product, delivery or information (Dishman & Nitse, 1998). Millman and Wilson (1999) suggest that there is widespread acceptance of developing customer-facing KAM processes. Defining and implementing such processes, however, has proved problematic, even for those companies acknowledged to be close to best-practicing KAM. Since this study attempts to link customer information to account portfolio management, it may contribute to the design of more customer-facing KAM processes.

3. Customer satisfaction

The concept of CS has gained increasing attention in business studies. In this sense, satisfaction metrics have been accepted as one of the most valued elements of customer information (Homburg & Rudolph, 2001; Sanzo, Santos, Vasquez, & Alvarez, 2003; Sharma, Niedrich, & Dobbins, 1999; Tikkanen, Alajoutsijärvi, & Tahtinen, 2000). The concept has been studied in various contexts with many aspects, mostly in association with or referring to the Oliver's (1980) disconfirmation of expectations theory (Anderson & Sullivan, 1993; Fornell, 1992; Gustafsson, Johnson, & Roos, 2005; Szymanski & Henard, 2001; Tikkanen & Alajoutsijärvi, 2002). Industrial customer satisfaction can be defined as an outcome of the complex information processing that is operated by the buying unit of the customer organization regarding both economic and social performance of the supplier in an interactive environment. Morgan et al. (2005) suggest that CS is a central concept in marketing and a core strategic objective for any firm. Thus, the creation and successful management of CS information usage systems that enables the firm to achieve a superior understanding of customer needs and respond more effectively and efficiently than its competitors, is an important way that marketing can make a significant contribution to the success of the firm.

Inevitably, maintaining and enhancing CS is an investment in relationship and resource allocation. Resource allocation to a relationship can be included in many cost considerations, both direct and indirect. Yorke and Droussiotis (1994) classify these costs as a product mix related to that specific customer, selling costs, special trade terms

applied to the customer, administration costs, working capital and indirect costs. Product adaptations for customers, production of low cost product lines for the specific needs of a customer, time and expenses required for sales calls, special discounts and credits applied, stocking of products for the customer and various marketing related expenses, are some examples of resource allocation and investment to customer relationships.

3.1. *Cs metrics as a dimension of portfolio analysis*

Morgan et al. (2005) point out that CS information and its usage may be an important component of a firm's management control system that aids in monitoring performance, implementing strategy and directing attention and resources towards satisfying the target customers needs to develop and protect this relational source of competitive advantage. Sanzo et al. (2003) state that industrial CS involves two major dimensions: economic (technical and economical productivity measures e.g. volume, profits, product and process quality) and non-economic (social and psychological). CS metrics contain sensitive information of key dimensions in customer relationships such as products, technical processes, quality, order processing, delivery, customer services, complaint handling and relational dimensions. As control systems theory asserts (Green & Welsh, 1988), negative deviations from desired standards require corrective actions in these key aspects of relationships. However, simultaneously considering the CS metrics and the other dimensions offered in relationship portfolio studies may alter a supplier's decisions and orientations regarding corrective actions and other relationship-specific investments in satisfaction.

The flexibility of the portfolio concept for use in the different levels of management and with different levels of sophistication, illustrates its usefulness as a powerful management tool (Turnbull, 1990). Account portfolio approaches pursue sound portfolio dimensions and significant indicators in order to provide a convenient and strategic framework for a company's customer relationships. Yorke (1984) suggests that if objectives are to be met in both the short and the longer term, dimensions for a strategic portfolio should be market- or customer-oriented and not based solely on the supplier's own management thinking. This approach may be more appropriate for the interdependent nature of business relationships.

4. Methodology

Ford et al. (1998) suggest that relationship management is the most critical marketing challenge, particularly in a business-to-business situation where firms often rely on a small number of customers and suppliers, where markets are relatively static and where maintaining relationships is often essential to ongoing business success. In such circumstances, portfolio analysis can act as a very useful tool by identifying key strategic relationships (Zolkiewski & Turnbull, 2002).

Using a Turkish battery supplier's CS scores in the automotive industry, this study tries to explore the use of CS metrics for managing customer relationships in the context of portfolio approach. Considering the purpose of the study, the automotive industry could be a more suitable research area because it is global in scale, is a major contributor to national economies and with its network of suppliers, provides leading examples of relationship development and practice (Lindgreen, Palmer, Vanhamme, & Wouters, 2006). Original Equipment Manufacturers (OEM) customers usually have a great amount of purchase volume and significant referral value for an automotive supplier. The case company has twelve OEM customers, ten of which are the local manufacturer branches of global manufacturers and the OEM's are often treated as key accounts in the industry. Yorke (1986) suggested that customer portfolio theory was more appropriate and useful where the product purchased was of low technology,

continuously supplied, the perceived risk was relatively low and where the data available on customers and competitors were more complete. Therefore, the case company and the industry-specific situations can be regarded as a consistent research site for the research objectives. Case company studies on portfolio analysis have the potential to produce valuable outcomes and were used by authors (Campbell & Cunningham, 1985; Yorke & Droussiotis, 1994; Wagner & Johnson, 2004).

As the purpose of the study is interested in the overall performance of the firm, considerations focus on CS as an overall evaluation of a firm's offering, rather than a single evaluation of a specific transaction. Overall CS should be a more fundamental indicator of the firm's performance due to its links to behavioral and economic consequences for the firm (Anderson, Fornell, & Lehmann, 1994). The satisfaction scores of the key accounts are based on the weighted averages counted from importance versus performance ratings measured on a 7 point Likert scale. The CS questionnaire used by the case company consists of 35 items and five dimensions: products and prices, quality and technical processes, sales personnel, order handling and services, and customer relationships. The items and dimensions used cover the key aspects of CS in industrial relationships and the literature (Homburg & Rudolph, 2001; Sanzo et al., 2003; Sharma et al., 1999; Singh & Ranchhod, 2004).

4.1. *The construction of the portfolio models*

The strategic variable or customer portfolio dimension may correspond to an independent variable or form part of a composite dimension (Pardo & Salle, 1995). Olsen and Ellram (1997) point out the importance of complexity of the dimensions used to categorize the elements in the portfolio. If the dimensions are very complex, a company can focus on developing measures that do not utilize the full potential of the portfolio approach in terms of improved resource allocation and communication. On the other hand, if the dimensions are too simple, important variables can be overlooked. CS score is a composite variable involving key aspects of the relationship and suggested as a relevant dimension for portfolio analysis.

The models developed by Fiocca (1982) and Yorke and Droussiotis (1994) are used in this study as a point of departure in the development of portfolio models. Fiocca and Yorke and Droussiotis use the "strength of the relationship" dimension and Fiocca employs "customer's business attractiveness" in analyzing the key account portfolio of the company. Since the dimension of customer's business attractiveness is heavily associated with the future business expectations from a customer, this study will use the term "business potential" to refer to the dimension. Because CS metrics convey cumulative evaluations of customers up to the survey and also involve future related clues of their relationship with the supplier, it could be more significant to combine the metrics with the two relevant dimensions of previous portfolio studies. Hence, customers are positioned on grids with respect to the "strength of the relationships" and their "business potential" along with the CS scores. These two matrices may uncover the current stability of the relationships and also provide meaningful signals in terms of strategic reallocation of resources to enhance specific relationships to achieve future growth.

4.1.1. *Relationship strength—CS*

The best-known account portfolio studies used the strength of the relationship as a portfolio dimension. Several indicators were proposed for measuring this dimension, they included customer share, length of the relationship, magnitude of purchases, frequency of contact, trust, cooperation and friendship (Campbell & Cunningham, 1983; Fiocca, 1982; Yorke & Droussiotis, 1994). Information sharing is cited as an indicator of relationship strength and quality in industrial supply relationships (Brennan, 1997; O'Toole & Donaldson, 2002; Perez & Sanchez, 2001; Purdy & Safayeni, 2000) and included as a

measure of strength. In a recent study, [Stanko, Bonner, and Calantone \(2007\)](#) analyzed the strength of interfirm ties and offered relationship length, mutual confiding (knowledge/information exchange), reciprocal services (solidarity–reciprocity) and emotional intensity in this evaluation of buyer–seller ties. Hence, the variables used for the measurement of relationship strength ([Table 1](#)) here are consistent and in balance with the variables proposed by previous studies.

The data related to the first three variables of relationship strength were collected from the marketing department reports and the customers were categorized along a five point scale. The remaining five variables were independently rated out of five by four managers in the company before the annual CS survey starts and the averages of managers' ratings were used for analysis. These managers are key decision makers for managing customer relationships and involve the company's key account manager, sales manager, assistant general manager and general manager. The variables listed in [Table 1](#) were weighted collectively by the four managers. It should be emphasized that this part of the implementation process is very subjective and used by previous portfolio researchers (e.g. [Olsen & Ellram, 1997](#); [Yorke & Droussiotis, 1994](#)). Although weighting the scores of indicators is a subjective and context-dependent issue, it is a more justifiable way of determining the constructs and it provides more precise evaluations. [Olsen and Ellram \(1997\)](#) suggest that in order to use the portfolio model, the decision-makers in the company must come to agreement on the relative importance of each factor.

The matrix in [Fig. 1](#). shows that Cell 1 of the grid includes Customers B, C and F, who have high relative strength and low CS levels. Although these customers have established relationships with the supplier, they are relatively dissatisfied with the relationship and they can be considered “open to competitors' offerings”. They might not be involved in a persistent search of alternative suppliers but it would be over optimistic to expect a significant increase in customer share for these customers in the near future. Customers A, H and I, located in Cell 2 of the grid, represent low relationship strength and low CS. Hence, these customers might be evaluated as less committed to the relationship and therefore as “competitors' customers”. It could be posited that their positions in the grid reflect an arm's length relationship between parties and are a sign of possible disloyalty behaviors in forthcoming years.

However, Cell 3 of the grid includes Customers D, E, L and K, all of whom have high CS levels but low relative strength. The notable characteristics of these customers are that their length of relationships with the supplier, business volume and customer share are all still low but the non-economic, social indicators of strength are perceived and evaluated as high by company managers. The satisfaction levels of these customers with relational aspects are relatively high and verify the evaluations of supplier's managers. Hence, these fresh accounts of relatively new relationships of the company can be named “tomorrow's loyal” customers along with their high satisfaction levels. Since Customers G and J in the fourth quadrant of the grid have both high CS and strength scores, they can be evaluated as “today's loyal” customers, representing established and progressed relationships perceived by both parties.

Table 1
Variables used for measurement of relationship strength.

Variable	Weighting
Customer share	0.20
Length of the relationship	0.15
Dollar value of purchases (sales volume of previous year)	0.15
Management distance (Frequency of contact)	0.10
Degree of cooperation	0.10
Friendship	0.10
Trust	0.10
Information sharing	0.10

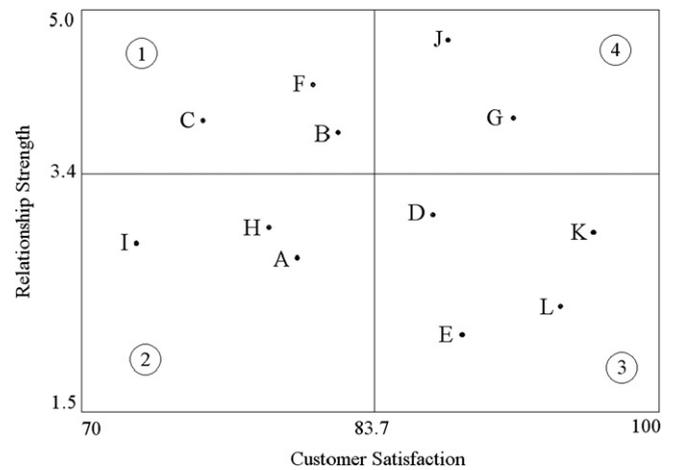


Fig. 1. Relationship strength–CS matrix.

4.1.2. Customer's business potential–CS

Understanding both the short-term industry factors and long-term positioning value of the customer mix is important for the management of customer portfolios ([Eng, 2004](#)). As [Campbell and Cunningham \(1985\)](#) assert, such an analysis is designed to give prominence to customers to whom the company is allocating strategic funds in the hope of developing future business and to emphasize those on which the company is dependent. Business potential refers to the status/position of the customer's business in light of future orientations. The competitors' share of customer's purchases represents a portion of the available business for the supplier and could be considered to be captured in future. Obviously, if a customer has weak export links, high capacity utilization, no expansion plans, and low growth rate, the business potential of the customer is likely to be relatively low. If a low potential customer has a high CS score, the selling company may not prefer to spend additional resources on the customer and may even consider withdrawal of its key account status. On the other hand, if a high potential customer has a low satisfaction score, the selling company should pay immediate attention to the reasons and take corrective actions. Hence, the business potential–CS matrix might prioritize investment and resource allocation decisions in order to improve CS elements of account relationships.

Variables used for measurement of customer's business potential ([Table 2](#)) were selected from the account portfolio studies of [Fiocca \(1982\)](#) and [Yorke and Droussiotis \(1994\)](#) regarding the context under examination. The figures related to competitors' customer share and customer purchase amounts were obtained using last year's sales data and industry statistics. The growth rate of customers' purchases was calculated as an average of the figures of last 3 years. Information on capacity utilization, export sales, investment and expansion plans of customers are externally gathered from the statistics issued by authoritative sectoral bodies, governmental institutions and

Table 2
Variables used for measurement of customer's business potential.

Variable	Weighting
Competitors' share of customer's purchases	0.15
Dollar value of customer's purchases	0.15
Growth rate of customer's purchases (per year using dollars)	0.15
Customer's capacity utilization (customer's unemployed capacity)	0.10
Future capacity expansions (in volume terms)	0.10
Links with export markets (% exports of total turnover)	0.10
Contribution margins (contribution margins of products sold to customer)	0.10
Account prestige (reputation)	0.10
Sensitivity to price	0.05

customers' annual reports for the previous year. Using these numerical inputs, customers were grouped into intervals representing a five point scale for each variable. Account prestige and price sensitivity are subjective measures here and the customers were independently rated on a scale of five by the four company managers.

Fig. 2. represents the dispersion of the customers according to their business potential and CS scores. Customers B, C and I, located in Cell 1 of the Business Potential-CS grid, represents relatively high levels of business potential and low levels of CS. Satisfaction information of these customers needs to be examined with all details and corrective actions (resource allocations) should be taken for key problematic areas of the relationship (Cogitate). Cell 2 includes Customers A, F and H, and since these customers have relatively low potential, management should not allocate additional resources for CS aspects of these accounts (Stop). Cell 3 of the grid includes only Customer K which has the highest CS score and the lowest potential in the account portfolio. Management should not invest extra resources in this relationship, they might even consider withdrawing some resources that had been allocated to this account in the past (Retreat). Customers D, E, G, J and L, located in Cell 4 of the matrix, represent both high potential and CS score. The relevant strategy for this group of customers could be to defend and monitor current levels of satisfaction and if there are significant gaps in key aspects of CS, some moderate corrective actions may have to be taken (Retouch).

5. Analyzing the portfolio matrices and developing marketing strategies

The proposed two matrices offer significant insights into customer relationships of the selling company and a basis for more customer-facing key account analysis. Furthermore, simultaneous consideration of both matrices may reveal the current situation of relationships and generate sound strategies for key customer relationships on an individual basis. Such a concurrent evaluation exposes not only the strengths and weaknesses of the company's customer relationships, but also guides accurate directions to and investments in relationships, while improving the effectiveness of marketing decisions. Spencer (1999) puts forward that KAM does not translate as "building good, strong relationships at all costs". It translates rather as allowing each relationship the attention it merits. That might well mean reducing investment in certain cases.

The results suggest that customers B and C, positioned in Cell 1 of both matrices where the customer has a high relative business potential and strength, but the CS score is relatively low. Since these customers may be open to competitors' offerings and have higher business potential, the relevant strategy for these relationships could

be to allocate resources among the most dissatisfied aspects of CS dimensions in order to increase satisfaction. A detailed examination of CS information of these customers indicates that Customer B is dissatisfied primarily with product related technical issues whereas Customer C is dissatisfied with complaint handling, return policies, processing of urgent orders and information sharing. Since the efforts intended to enhance the CS of those customers is likely to pay off, company managers should take corrective actions and monitor the results, especially of the most dissatisfied aspects of CS dimensions. For instance, selling company managers would enlarge the product related interaction with Customer B. This might come in the form of increasing technical personnel visits to the customer, providing more comprehensive product information and extending technical services. The relevant strategy for Customer C could be to enhance the scope of some customer service elements specific to this customer, such as expanding product return conditions, fast response, timely feedback to its complaints, and keeping some extra inventory for the customer.

Customers A and H are positioned in Quadrant 2 of both matrices. These customers are low committed accounts that have stronger relationships with the major competitor of the company. Besides, since these customers have relatively low business potential, the company should maintain the current levels of satisfaction and refrain from corrective action and additional investment in trying to satisfy these customers. Closer examination of these accounts' CS scores reveals that the customers are particularly dissatisfied with price levels, frequency of customer visits and sharing sensitive information but the company may maintain current price ranges, communication and visit frequency.

Customer F has a longstanding relationship with the supplier but a relatively low business potential and CS score. Nevertheless, examination reveals that the dissatisfaction is primarily with commercial issues and prices so the payoff from this relationship will likely remain constant. Besides, considering the low business potential of this price-sensitive account, the managers may decide not to take any corrective actions for CS dimensions of the relationship. However, if this customer's dissatisfaction was heavily connected to non-commercial factors, modest corrective efforts could have been considered in order to maintain current share of customer's purchases.

On the other hand, in the case of Customer I, relationship strength is low, CS score is the lowest but business potential is relatively high. The situation of Customer I should be considered exclusively in terms of key dissatisfied subjects and allocate resources for corrective actions in order to gain future business from this potentially lucrative customer. The CS measures for this customer show greater gaps in the issues of products, quality, sales personnel and complaint handling. Managers' comments verify that there had been several controversies on these aspects of satisfaction dimensions for this relationship in recent years and the satisfaction score reflects this dissatisfaction. An advisable course for the selling company is to increase technical interaction with the customer and apply some exclusive procedures for the relationship e.g. handling the complaints and orders in top management levels for a reasonable period.

Customers D, E and L have relatively low strength scores, but high business potential and CS levels. These high-potential accounts can be labeled as "Tomorrow's loyal" customers and they have no major complaints about the technical or economical aspects of the relationships. Since these relationships are not established, the customers lack information about the selling company and perceive a high risk for the relationship. These fairly immature but promising relationships require more attention and tailor-made solutions to their product and service requirements. The strategy for these accounts could be to allocate resources to relational dimensions and trust-creating activities such as information sharing, timely feedback, frequency of contact and friendship. The company should pursue all means of communication with these customers through regular reports, customer visits, exclusive sales promotions and meetings involving top management.

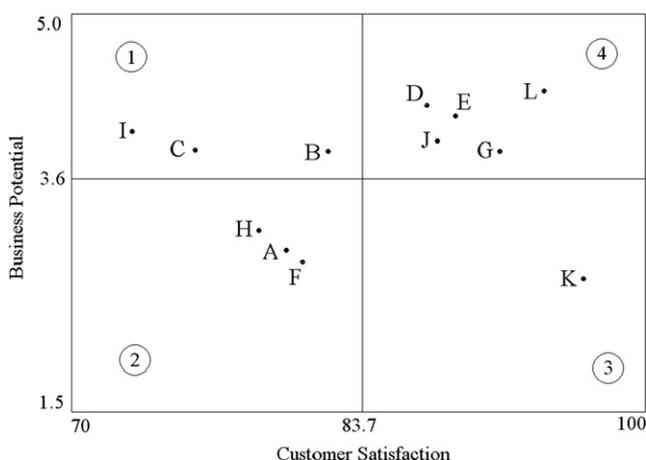


Fig. 2. Account's business potential–CS matrix.

In contrast, Customer K is located in Cell 3 of both matrices. This customer has the highest CS level, but both business potential and relationship strength are low. The recommended strategy here is not to allocate additional resources for this relationship and divest the customer's key account status. Having the highest CS level may indicate an over-allocation of resources to this relationship. This allocation could safely be reduced and the account might be left off from the key account manager's responsibility as a regular customer.

Today's loyal Customers, G and J, are located in Cell 4 of both grids. Strength and CS scores suggest that these relationships are mutually perceived as strong and established and it is easier for the supplier to maintain current levels of satisfaction. The company is already strong to the competition for these customers and the managers should focus on protecting the relationships without considerable resource allocations. If there are noticeable gaps in some satisfaction dimensions, the company should rectify those factors. For example, since Customer J has rather lower scores in frequency of customer visits and ease of doing business, the managers could rearrange the customer visit schedule to allow for more frequent communication. Although Customer G is satisfied with almost all the factors in the relationship, there is moderate dissatisfaction about delivery lead times. To rectify this, the selling company could organize new delivery schedules or retain extra stock for the customer. In addition, the company should pay attention to external developments related to today's loyal customers such as competitors' actions and proposals, new products and service requirements.

Outcomes of the proposed portfolio analysis can be used as one of the marketing metrics to support customer analysis involved in the KAM process and design bespoke relationship strategies. In this sense, a summarized set of analysis output (e.g. portfolio grids) can be combined with marketing dashboards which present an abstract view of key performance and operational metrics of the company. In order to facilitate the analysis and accelerate reporting, data and analytical tools might be integrated with Customer Relationship Management (CRM) software. Since the portfolio approach considered here generates information for strategic business decisions related to a key account portfolio of the company, top management involvement is required in making decisions along with the marketing manager and key account manager.

6. Discussion and conclusions

The portfolio approach to account management emphasizes similarities and interdependencies among different customer relations and serves as a guide for resource allocation problems pertaining to these relationships. The study suggests a use of CS metrics as a portfolio dimension to incorporate customer information with portfolio approach as a strategic management tool. The first grid (Fig. 1) provides noteworthy indications regarding the current composition of customer relations, the second grid (Fig. 2) forces managers to adopt a future perspective on relationships by evaluating the business potential of customers along with the CS information and allows prioritization with respect to resource allocation. Simultaneous consideration of both matrices has the potential to reveal valuable strategic insights for individual customer relationships and to provide pertinent managerial applications. In this regard, the study tries to put forward customer heterogeneity in industrial markets and offers a managerial guideline embracing customer specific marketing actions instead of a one fits for all approach. Since key account analysis and development of customized relationship strategies are the intrinsic elements of KAM, the proposed approach can be used in KAM applications as a decision support tool.

The normative use of CS measurement methodologies advises corrective actions for all customers and for virtually each disconfirmation aspect of the customer in light of the control theory. Similarly, account portfolio studies propose resource allocation for high

potential and attractive customers, however the suggestions are rather naive in terms of the accurate directions of allocation and investment decisions. Since CS information signals the customer's perspective on problematic areas in relationships, evaluating the CS information in the context of the portfolio approach provides valuable strategic inferences considering the necessary actions for the necessary relationships. This may lead to more efficient resource allocation decisions for suppliers.

The study involves some limitations of other portfolio researches that are acknowledged. Inevitably, the ratings about relationship strength and business potential given to some variables are subjective but based on experienced evaluations. In addition, one can offer several other variables for measuring relationship strength and business potential. However, account portfolio analyses are context-dependent issues and the variables considered may vary. As Olsen and Ellram (1997) put it, using more complex measurement approaches in portfolio studies shifts the focus from decision making to mechanistic measurement orientations. It might be a shortcoming that the whole model does not take into account the relative scores of customer relationships with competitors. The relationship between the case company and a specific customer could be measured as strong but relatively weak compared to other relationships the customer company has in the same offering area. Although the variables of customer share, length of the relationship and dollar value of purchases provide significant and accurate signals for relative strength in most cases, there might be some relationships having vague strength scores regarding competitors. Ideally, this limitation is surmountable by measuring each strength variable for customer's relationships with competitors but such an effort will be highly demanding, time consuming and troublesome to combine with CS questionnaires due to confidentiality of the variables.

Ittner and Larcker (2003) found that most companies' measurement methodologies for CS are misleading and too primitive to be useful. This might be an external limitation for the study considering the use of CS scores for the decision making process. Although the case company has a relatively rigorous and well-established CS measurement process, companies should design their measurement initiatives accurately and pursue ways of developing advanced CS surveys. Account portfolio analysis can provide more objective and accurate results depending on the comprehensiveness of the company's marketing intelligence data.

The present study can be evaluated as an exploratory study attempting to initiate a link between account portfolio approaches and CS information. Considering the context-dependent nature of portfolio studies, it would be difficult to compare the use of the portfolio approach in different companies, because several company-specific factors will influence the management of the company's customer relationships. CS scores and other relevant portfolio dimensions (e.g. account profitability) could be used together in order to evaluate different aspects of customer relationships in future studies. Moreover, longitudinal studies in companies may provide valuable insights into the convenience of the proposed portfolio approach.

References

- Abratt, R., & Kelly, P. M. (2002). Customer-supplier partnerships: Perceptions of a successful key account management program. *Industrial Marketing Management*, 31(5), 467–476.
- Anderson, E. W., & Sullivan, M. (1993). The antecedents and consequences of customer satisfaction for firms. *Marketing Science*, 12(2), 125–143.
- Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden. *Journal of Marketing*, 58(3), 53–66.
- Ansoff, H. I., & Leontiades, J. (1976). Strategic portfolio management. *Journal of Management*, 4.
- Brennan, R. (1997). Buyer/supplier partnering in British industry: The automotive and telecommunications sectors. *Journal of Marketing Management*, 13(8), 759–775.
- Campbell, N. C. G., & Cunningham, M. T. (1983). Customer analysis for strategy development in industrial markets. *Strategic Management Journal*, 4(4), 369–380.

- Campbell, N. C. G., & Cunningham, M. T. (1985). Managing customer relationships: The challenge of deploying scarce managerial resources. *International Journal of Research in Marketing*, 2, 255–262.
- Cannon, J. P., & Perreault, W. D., Jr. (1999). Buyer–seller relationships in business markets. *Journal of Marketing Research*, 36(4), 439–460.
- Capon, N., & Glazer, R. (1987). Marketing and technology: A strategic coalition. *Journal of Marketing*, 51(3), 1–14.
- Cooper, R. G., Edgett, S. J., & Kleinschmidt, E. J. (1999). New product portfolio management: Practices and performance. *Journal of Product Innovation Management*, 16(4), 333–351.
- Cunningham, M. T. (1982). An interaction approach to purchasing strategy. In H. Hakansson (Ed.), *International marketing and purchasing of industrial goods: An interaction approach*. Chichester: Wiley.
- Dibb, S., & Wensley, R. (2002). Segmentation analysis for industrial markets: Problems of integrating customer requirements into operations strategy. *European Journal of Marketing*, 36(1), 231–251.
- Dishman, P., & Nitse, P. S. (1998). National accounts revisited: New lessons from recent investigations. *Industrial Marketing Management*, 27(1), 1–9.
- Dubinsky, A. J., & Ingram, T. N. (1984). A portfolio approach to account profitability. *Industrial Marketing Management*, 13(1), 33–41.
- Eng, T. Y. (2004). Does customer portfolio analysis relate to customer performance? An empirical analysis of alternative strategic perspective. *Journal of Business & Industrial Marketing*, 19(1), 49–67.
- Fiocca, R. (1982). Account portfolio analysis for strategy development. *Industrial Marketing Management*, 11(1), 53–62.
- Ford, D., Gadde, L. K., Hakansson, H., Lundgren, A., Snehota, I., Turnbull, P., et al. (1998). In D. Wilson (Ed.), *Managing business relationships*. Chichester: John Wiley & Sons.
- Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. *Journal of Marketing*, 56(1), 6–21.
- Green, S. G., & Welsh, M. A. (1988). Cybernetics and dependence: Reframing the control concept. *Academy of Management Review*, 13(2), 287–301.
- Gustafsson, A., Johnson, M. D., & Roos, I. (2005). The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention. *Journal of Marketing*, 69(4), 210–218.
- Homburg, C., & Rudolph, B. (2001). Customer satisfaction in industrial markets: Dimensional and multiple role issues. *Journal of Business Research*, 52(1), 15–33.
- Iltner, C. D., & Larcker, D. F. (2003). Coming up short on non-financial performance measurement. *Harvard Business Review*, 81(11), 88–95.
- Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: Antecedents and consequences. *Journal of Marketing*, 57(3), 53–70.
- Johnson, M. D., & Seines, F. (2004). Customer portfolio management: Toward a dynamic theory of exchange relationships. *Journal of Marketing*, 68(2), 1–17.
- Kraljic, P. (1983). Purchasing must become supply management. *Harvard Business Review*, 61(5), 109–117.
- Krapfel, R. E., Salmond, D., & Spekman, R. (1991). A strategic approach to managing buyer–seller relationships. *European Journal of Marketing*, 25(9), 22–37.
- Lindgreen, A., Palmer, R., Vanhamme, J., & Wouters, J. (2006). A relationship-management assessment tool: Questioning, identifying, and prioritizing critical aspects of customer relationships. *Industrial Marketing Management*, 35(1), 57–71.
- Markowitz, H. (1952). Portfolio selection. *Journal of Finance*, 7(1).
- McDonald, M., Millman, T., & Rogers, B. (1997). Key account management: Theory, practice and challenges. *Journal of Marketing Management*, 13, 737–757.
- Millman, T., & Wilson, K. (1995). From key account selling to key account management. *Journal of Marketing Practice: Applied Marketing Science*, 1(1), 9–21.
- Millman, T., & Wilson, K. (1999). Processual issues in key account management: Underpinning the customer-facing organization. *Journal of Business & Industrial Marketing*, 14(4), 328–337.
- Morgan, N. A., Anderson, E. W., & Mittal, V. (2005). Understanding firms' customer satisfaction information usage. *Journal of Marketing*, 69(3), 131–151.
- Oliver, R. L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research*, 17(4), 460–469.
- Olsen, R. F., & Ellram, L. M. (1997). A portfolio approach to supplier relationships. *Industrial Marketing Management*, 26(2), 101–113.
- O'Toole, T., & Donaldson, B. (2002). Relationship performance dimensions of buyer–supplier exchanges. *European Journal of Purchasing & Supply Management*, 8(4), 197–207.
- Pardo, C. (1999). Key account management in the business to business field: A French overview. *The Journal of Business and Industrial Marketing*, 14(4), 276–297.
- Pardo, C., & Salle, R. (1995). Defining customer boundaries: The first step in customer portfolio management. In P. W. Turnbull, D. Yorke, & P. Naude. (Eds.), *Interaction, relationships and networks: Past–present–future, vol.2, IMP 11th International Conference* (pp. 962–978). Manchester: Manchester Federal School of Business and Management.
- Perez, M. P., & Sanchez, A. M. (2001). Supplier relations and flexibility in the Spanish automotive industry. *Supply Chain Management*, 6(1), 29–37.
- Piercy, N. F. (1996). The effects of customer satisfaction measurement: The internal market versus the external market. *Marketing Intelligence & Planning*, 14(4), 9–15.
- Purdy, L., & Safayeni, F. (2000). Strategies for supplier evaluation: A framework for potential advantages and limitations. *IEEE Transactions on Engineering Management*, 47(4), 435–443.
- Sanzo, M. J., Santos, M. L., Vasquez, R., & Alvarez, L. I. (2003). The effect of market orientation on buyer–seller relationship satisfaction. *Industrial Marketing Management*, 32(4), 327–345.
- Sharma, S., Niedrich, R. W., & Dobbins, G. (1999). A framework for monitoring customer satisfaction: An empirical illustration. *Industrial Marketing Management*, 28(3), 231–243.
- Singh, S., & Ranchhod, A. (2004). Market orientation and customer satisfaction: Evidence from British machine tool industry. *Industrial Marketing Management*, 33(2), 134–144.
- Spencer, R. (1999). Key accounts: Effectively managing strategic complexity. *Journal of Business & Industrial Marketing*, 14(4), 291–309.
- Stanko, M. A., Bonner, J. M., & Calantone, R. J. (2007). Building commitment in buyer–seller relationships: A tie strength perspective. *Industrial Marketing Management*, 36(8), 1094–1113.
- Szymanski, D. M., & Henard, D. H. (2001). Customer satisfaction: A meta-analysis of the empirical evidence. *Journal of the Academy of Marketing Science*, 29(1), 16–35.
- Tikkanen, H., & Alajoutsijärvi, K. (2002). Customer satisfaction in industrial markets: Opening up the concept. *The Journal of Business & Industrial Marketing*, 17(1), 25–42.
- Tikkanen, H., Alajoutsijärvi, K., & Tahtinen, J. (2000). The concept of satisfaction in industrial markets: A contextual perspective and a case study from the software industry. *Industrial Marketing Management*, 29(4), 373–386.
- Turnbull, P. W. (1990). A review of portfolio planning models for industrial marketing and purchasing management. *European Journal of Marketing*, 24(3), 7–22.
- Wagner, S. M., & Johnson, J. L. (2004). Configuring and managing strategic supplier portfolios. *Industrial Marketing Management*, 33(8), 717–730.
- Wind, Y., & Douglas, S. (1981). International portfolio analysis and strategy: The challenge of the '80s'. *Journal of International Business Studies*, 12(2), 69–82.
- Yorke, D. (1984). An interaction approach to the management of a portfolio of customer opportunities. *Market Intelligence & Planning*, 2(3), 5–22.
- Yorke, D. (1986). The application of customer portfolio theory to business markets—A review. *IMP Group Conference Proceedings, Ecole Supérieure*: Lyon September.
- Yorke, D., & Droussiotis, G. (1994). The use of customer portfolio theory: An empirical survey. *Journal of Business & Industrial Marketing*, 9(3), 6–18.
- Zolkiewski, J., & Turnbull, P. (2002). Do relationship portfolios and networks provide the key to successful relationship management? *The Journal of Business & Industrial Marketing*, 17(7), 575–597.

Dr. Osman GÖK is assistant professor for marketing at Yasar University, Izmir Turkey. He is currently holding the Director of Graduate School at the university. He served as assistant sales manager, product manager and marketing research specialist for companies, also as a consultant and educator to several organizations in marketing management, customer satisfaction measurement, and CRM. He has studied and written widely on managing customer relationships, industrial customer satisfaction and marketing management.