

**The impact of Key Account Managers' Communication
on Customer-Perceived Value and Satisfaction**

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Track: Organizational Buying Behaviour

Testing the Impact of Key Account Managers' Communication on Customer-Perceived Value and Satisfaction

Abstract

Communication is the glue that holds relationships together. As an increasing number of supplying firms introduce key account management (KAM) systems to service their major accounts, it becomes crucial to understand the impact of key account managers' communication on collaborative relationships. Based on a quantitative study among purchasing managers, this paper tests a framework for key account managers' communication and its impact on customer-perceived value and satisfaction.

Keywords: Key Account Management, Communication, Customer Value, Customer Satisfaction, PLS

1. The Role of Communication in Collaborative Relationships

The management of collaborative relationships with large-scale buyers has become a major concern for many firms in business markets. Effective communication between the supplying and the buying firm is a fundamental condition of collaborative relationships. According to Bleeke and Ernst (1993, p. XVI), even the "most carefully designed relationship will crumble without good, frequent communication". In a similar vein, Mohr and Nevin (1990, p. 36) declare that communication is the "glue" that holds relationships together.

An increasing number of firms rely on key account management (KAM) to service their major accounts (Weilbaker and Weeks, 1997). Key account managers fulfil the role of an enabler or promoter of an existing relationship (Bacon, 1999). Their task is to minimize friction within the relationship and optimise fit between the supplier's value offer and customer's needs (Weitz and Bradford, 1999). To reach these goals, key account managers are supposed to advance the level of communication between the supplying and the buying firm (Schultz and Evans, 2002).

To date, little empirical research has been done to evaluate the impact of key account managers' communication efforts on collaborative relationships (for a notable exception, see Schultz and Evans, 2002). This paper contributes to our understanding of collaborative relationships by focusing on the contribution of key account managers' communication on customer-perceived value and satisfaction. These two outcome variables were chosen because they represent the "raison d'être" of collaborative relationships (Anderson 1995).

2. Linking Key Account Managers' Communication to Customer-Perceived Value and Satisfaction

Figure 1 depicts our conceptual framework of communication and its impact on customer-perceived value and satisfaction in a KAM setting. In the following, we elaborate the seven underlying hypotheses.

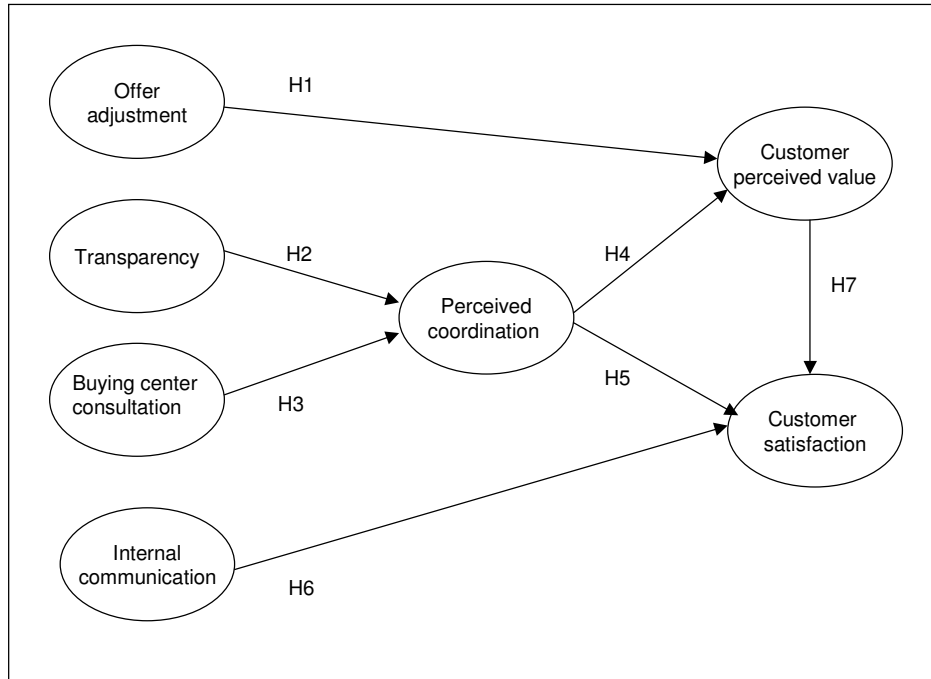


Figure 1: Conceptual framework

Key account managers acquire an in-depth knowledge of customers and their needs (Wotruba and Castleberry, 1993). As part of their boundary-spanning function, they communicate their insights within their own organization to foster innovative solutions to customer problems, fuel customer orientation and ultimately increase the fit between their organization's value offer and customer's needs. As a good fit will promote customer-perceived value, hypothesis 1 reads as follows:

H1: Offer adjustment has a positive impact on customer-perceived value.

Transparency has been defined as the perception of being informed about the relevant actions and properties of the other party in the interaction process (Eggert and Helm, 2003). Key account managers impact transparency by providing useful information about the supplier's strategy, marketing programs and competitive status. From the customer's perspective, supplier transparency reduces uncertainty and facilitates the interaction process. It therefore appears reasonable to hypothesize:

H2: Supplier transparency has a positive impact on the customer-perceived level of coordination.

Buying centre consultation captures a key account manager's efforts to understand the needs and preferences of a buying centre. The more intensively a key account manager communicates with the different members of the buying centre, the more likely he is to obtain valuable information about their needs and preferences (Leuthesser and Kohli, 1995). As valid information is regarded as an antecedent of coordinated action, we hypothesize:

H3: Buying centre consultation has a positive impact on the customer-perceived level of coordination.

Through coordination, firms synchronize their activities, resources and capabilities to accomplish a collective set of tasks (Anderson and Narus 1999, p. 352). Key account managers orchestrate customer-related efforts within their own organization (Pardo, Salle and Spencer, 1995) in order to increase the customer-perceived level of coordination. An increased level of coordination facilitates the interaction process, reduces customer-perceived costs of handling that relationship and enhances customer satisfaction (Mohr and Spekman 1994). Stated more formally, hypotheses 4 and 5 posit:

H4: Customer-perceived coordination has a positive impact on customer-perceived value.

H5: Customer-perceived coordination has a positive impact on customer satisfaction.

To make sure that their clients enjoy a preferred status among their own organization's employees, key account managers engage in internal communication. By means of internal communication, they develop and strengthen a set of shared values between the client's and their own organization's personnel. As this contributes to customer satisfaction (Helman and Payne 1992), we hypothesize:

H6: Internal communication has a positive impact on customer satisfaction.

Finally, customer-perceived value has been shown to be an antecedent of customer satisfaction in business markets (Eggert and Ulaga 2002). Consequently, the seventh hypothesis posits:

H7: Customer-perceived value has a positive impact on customer satisfaction.

3. Quantitative Study

3.1 Data Collection

To validate our conceptual framework, we interviewed purchasing agents who are serviced by a key account manager. This population is not compiled in a complete list, preventing us from drawing a straightforward probability sample. Instead we first had to generate a list of respondents. Potential respondents were identified through a snowballing sampling procedure which is particularly well suited for special populations that are difficult to access (Dawes and Lee, 1996). An initial set of 52 purchasing agents was identified by the key account managers interviewed during our qualitative study. Overall, 335 questionnaires were sent out with 127 (38 %) being returned.

Participants were asked to select a purchasing relationship meeting the following three conditions : (1) the relationship was served by a key account manager, (2) the relationship with the supplier was a collaborative one and (3) the purchases were predominantly industrial goods and not industrial services. As the key informant methodology was applied to collect data, we also assessed our informants' competency in accordance with Kumar, Stern and Anderson (1993). From the 127 questionnaires returned, 22 contained missing data or did not meet the screening requirements, leading to a net sample size of 102 (30 %).

3.2 Model Estimation

The structural equation model, represented by the path diagram in figure 1, was estimated using Lohmöller's (1989) partial least square (PLS) latent path model. PLS can accommodate

small samples (Wold, 1982) and it provides measurement assessment which is crucial to our study as we have a rather limited sample size and develop some new measures, respectively. In addition, it avoids some of the restrictive assumptions imposed by LISREL-like models (c.f. Dawes and Lee 1996). Using the bootstrap procedure packaged in the PLS-Graph software (version 1.8), one can calculate the standard deviation and generate an approximate t-statistic. This overcomes non-parametric methods' disadvantage of having no formal significance tests for the estimated parameters.

4 Results

Table 1 reports the standardized B1 parameter which is based on the total sample, and the standardized B2 parameter which is obtained from bootstrap simulation. Differences between both parameters are low, indicating stable estimates.

In accordance with our hypotheses, all parameters were found to be positive. Bootstrapped standard deviations and t-values (Guiot, 2001) confirm the significance of all seven hypotheses.

Hypothesis	B1 parameter	B2 parameter	Standard Deviation	t-value	Sig. at the 5% level
H1 offer adjustment -> customer-perceived value	0.64	0.63	0.07	8.60	x
H2 transparency on supplier -> customer-perceived coordination	0.35	0.36	0.06	5.63	x
H3 buying center consultation -> customer-perceived coordination	0.30	0.32	0.08	3.70	x
H4 Customer-perceived coordination -> customer-perceived value	0.27	0.28	0.08	3.56	x
H5 customer-perceived coordination -> customer satisfaction	0.16	0.15	0.08	1.93	x
H6 internal communication -> customer satisfaction	0.35	0.35	0.06	5.50	x
H7 customer-perceived value -> customer satisfaction	0.46	0.46	0.09	5.16	x

5 Discussion

This paper raises the research question whether key account managers' communication efforts contribute to customer-perceived value and satisfaction in business relationships with large-scale buyers.

Based on a quantitative study among 102 purchasing managers, our results show that key account managers' communication efforts have a significant impact on the two outcome variables. With a standardized path coefficient of 0.64, offer adjustment has the strongest reported impact on customer-perceived value. Key account managers' efforts to increase the supplier's transparency (standardized path coefficient = 0.35) as well as their efforts to understand the needs and preferences of the buying centre (standardized path coefficient = 0.30) increases the perceived level of coordination. Coordination in turn impacts customer-perceived value (standardized path coefficient = 0.27) as well as customer satisfaction (standardized path coefficient = 0.16). Finally, key account managers' internal communication has a positive impact on customer satisfaction (standardized path coefficient = 0.35).

From a managerial point of view, these result underline the importance of communication for the development and maintenance of collaborative relationships within a KAM setting. This research provides empirical evidence to the notion that key account managers "utilize collaborative communication to establish longer-term customer satisfaction and value-added selling" (Schultz and Evans 2002, p. 23).

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