



## **Relational Antecedents and Consequence of Key Account Management Performance: A Review, Framework and Research Agenda**

Kawsar Ahmmed<sup>1</sup> and Nor Azila Mohd. Noor<sup>2</sup>

### **ABSTRACT**

*The present paper traces the issue of key account management performance which has regarded as a pressing concern of many supplier companies' sales efforts. Based on the social exchange theory, researcher theorized and hypothesized the conditions under which relational factors including supplier relational investment, perceived buyer relational investment and relational intimacy influence key account management performance and its resulting impact on repeat order. Researcher also theorized the moderating role of length of relationship on key account management performance-repeat order relationship. Several theoretical and practical implications are provided along with suggestions and limitations to isolate a platform for future research directions. Additionally, an improved understanding from this framework will help developing policies for effective key account management in Business-to-business relationship.*

**Keywords:** key account management performance, idiosyncratic investment, repeat order, length of relationship, social exchange theory.

### **1. INTRODUCTION: THEORETICAL BACKGROUND**

It is obvious that in marketing at least two entities (seller and seller) interact with each other where some sorts of relationship exist between the two. Relationship marketing concentrates on this area and seeks to show that effective relationship management leads to marketing success (Godson, 2010). Dwyer, Schurr and Oh (1987) and Jackson (1985) mentioned that in the way of ensuring competitive advantage, suppliers are beginning to realize the necessity of developing relationships with a loyal customer. Godson (2010) mentioned that in developing relationship, marketer concentrates its marketing activities and resources on building and maintaining enduring close relationships with buyers and other stakeholders where both linear and constellation relationships exist.

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<sup>1</sup> KAWSAR AHMMED, Assistant Professor, School of Business and Economics, United International University, Dhaka, Bangladesh, kahmed.ba@gmail.com.

<sup>2</sup> NOR AZILA MOHD. NOOR, Deputy Dean/Associate Professor of Marketing, Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia; Sintok, Kedah, Malaysia, azila@uum.edu.my.

According to the Pareto principle (Bunkley, 2008) it is immutable business fact that 80% of revenue comes from 20% of marketer's customers. This notion creates the basis for key account management (KAM) approach that acts as the best way of ensuring repeat purchase, additional purchases and referral to other customers like them. Napolitano (1997) mentioned that key account customers are characterized by a centralized, coordinated purchasing organization with multi-located purchasing influences; a complex, diffuse buying process; very large purchase and a need for special services and serving these customers requiring a focused effort and dedicated resources.

Efficient customer management with endless efforts makes up the marketer's position enduring in the marketplace, creates its position impregnable and ensures the sustained competitive advantage. The situation is more crucial when the customers have their strategic importance for the organizations. In this regard, Workman, Homburg and Jensen (2003) suggested for execution of added functions and/or designation of special executives aimed at the organization's most significant customers. Zupancic (2008) called key account management as systematic choice, examination and management of the most important present and future customers of the company with the set up and maintenance of needed infrastructure. Brehmer and Rehme (2009) defined key account management as the organization that provides for the management and the building of relationship in a more or less formal arrangement. Among academics, definitions of key account management differ significantly. Thus, in the present study the researcher define KAM as a supplier company initiated approach targeted at the most important customers to solve their complex requirements with special treatment that eventually ensures both parties' financial and nonfinancial objectives (Ahmmed & Noor, 2012).

Performance relates to the assurance of efficiency and effectiveness in the completion of a particular task which results in expected level of outcomes. In the field of marketing, usually sales volume, profit margin and return on investment made by marketer determine performance (Ofek & Sarvary, 2003). In addition, choice made among brands by the customers (Meyvis & Janiszewski, 2004), attitude towards brand and repeat sales and in case of nonprofit marketing, donations and promotions in non-profits are also used to measure the performance. Sherman, Sperry, Reese and Reese (2003) mentioned that key account management performance is the undertaking of firm-wide initiative by which firms systematically and proactively deliver strategic solutions to multiple contacts at targeted accounts with a purpose of capturing a dominant share over time.

Napolitano (1997) explained that selecting account manager with conceptual and analytical ability including high-level selling skills along with superior relationship skills to understand the important profit and productivity goals of

key account customer and to provide solution on the basis of their company's ability and creativity are necessary for key account success. Workman et al. (2003) found that building esprit de corps among the involved in key account management program, initiating proactive activities and performing them in intensive way, assurance of key account manager's access to key resources of marketing and sales and top management involvement are the key determinants of key account management program performance.

From the above discussions, it is evident that various factors have significant impact on key account management performance. But to the best of researcher knowledge, there has been no study that integrates relational factors and find out the relative impact of each of them on key account management performance, thus supporting first objective of this study.

Jackson (1985) and Levitt (1981) mentioned that in the business-to-business relationship, anticipated levels of performance is likely to have an important effect on the stay-or-leave decision. Hence buyers' likelihood of future repeat order behavior is predicted by the performance of key account management strategy properly. Shi, White, Zou and Cavusgil (2010), opined that the success of suppliers in coordinating activities and marketing approach with their global account customers can lead to greater sales volume to the customers and their satisfaction with the GAM relationship. Till date, the primary emphasis of studies has targeted to the impact of key account management performance and these studies find several positive outcomes like higher revenue, improving the present market image, customer referrals, expectation of continuity, transfer of market knowledge, improving internal supplier operations, competitive advantage, shareholder value creation and joint action (Gosselin & Bauwen, 2006; Selnes & Sallis, 1999; Workman et al., 2003). Although it is apparent that KAM performance impact on the customer satisfaction levels that expressed in the form of repeat order, existing literatures ignore this vital aspect. Thus, second objective goes on theorizing the impact of key account management performance on repeat order.

Social psychology literatures clarify that individual in early stages of a relationship have been found to have less confidence in their evaluation of their partners than in later stages (Swann & Gill, 1997). Since the effect of such evaluations on behavior in later stages of relationships develops (Verhoef, Franses & Hoekstral, 2001). In this regard Bolton (1998) and Rust, Inman, Jia and Zahorik (1999) argued that this same process might also hold for customers' confidence in their satisfaction judgments as an outcome of KAM performance. Wagner (2011) mentioned that the nature of buyer-seller relationship is dynamic where relationship life-cycle might moderate the relationship between supplier development and firm performance in the buyer-seller relationship dyad. Workman et al. (2003) suggested that future studies should take into account the

influence of moderator between key account management performance and its outcomes.

Surprisingly, to the best of knowledge, no research has taken length of relationship as moderating variable that may moderate the relationship between key account management performance and repeat order. Eventually, the study endeavors to regard the moderating role of length of relationship on the relationship between key account management performance and repeat order.

Therefore, the present study brings these research objects to answer the following research questions.

1. Does key account management performance influence repeat order outcome performance?
2. What are the relational factors that influence the key account management performance? And
3. To what extent does the length of relationship moderates the relationship between the key account management performance and the repeat order behavior of key customers?

The remainder of the paper is structured into the following four sections. Next section discusses dependent, independent, consequence and moderating variables. Section 3 discusses the theory and propositions. Section 4 highlights research implications, limitations and direction for future research.

## **2. DISCUSSION OF MODEL VARIABLES**

This study introduces repeat order as the outcome of key account management performance. Three relational factors namely supplier relational investment, perceived buyer relational investment and relational intimacy as independent variables of key account management performance. In addition, length of relationship is introduced as moderating variable that may moderate the relationship between account management performance and repeat order.

### **2.1 Repeat Order**

Present study introduces repeat order as the consequence of key account management performance. Repeat order refers to the continuation of purchasing goods and services from an organization (Molinari, Abratt & Dion, 2008) by key account customer. Through the performance of key account management approach suppliers can be more aware about the customer's requirements and able to meet those requirements with more customized attention that eventually ensure the repeat order. In this regards Boles, Barksdale and Julie (1997)

explored that when a supplier retains a customer, it is easier to ensure more business from buyers and also allows the supplier to better serve a customer and perhaps, increase sales to that account.

As anticipated levels of performance is likely to have an important effect on the stay-or-leave decision (Jackson, 1985; Levitt, 1981), therefore it can be said that key account management performance impact on the customer satisfaction levels that expressed in the form of repeat purchase from the suppliers and make the relationship linger. Similarly, Kellerman (1987) has identified "anticipation of future interaction" (repeat order) as an outcome goal of dyadic encounters. Hence buyers' likelihood of future repeat order behavior is predicted by the performance of key account management strategy properly. To this end from the perspective of sales person, Crosby, Evans and Cowles (1990) stated that the best predictor of a customer's likelihood of seeking future contact is the quality of the relationship to date.

As key account selling is one type of relational selling activity, Foster and Cadogan (2000) showed that successful "relationship selling" is correlated with increased trust, enhanced loyalty, enhanced purchase intentions and greater likelihood that the buyer will recommend the supplier to other firms. Capon and Senn (2010) explored the increased chances of firm's business success from the relationship. Homburg, Giering and Menon (2003) argued in general, if a customer's expectations for the required attributes are met by the seller, the customer will be less likely to search for a replacement alternative, thus ensure repeat purchase. In their study, Brehmer and Rehme (2009) mentioned key account management program as a way for companies to develop existing relationships and increase sales. Colletti and Tubridy (1987) mentioned protecting and retaining large customers, increased sales to current customers and enhanced working relationships with customers as the results of successful major account sales management.

In sum, it appears that a supplier company adopting key account management approach to serve its most important and strategic customer has the potential to realize fruitful outcome in the form of repeat order.

## **2.2 Key Account Management Performance**

Performance in key account management strategy is the attainment of goals for both key buyer and seller over a long-period of time in the key account relationship. In the field of marketing, performance is measured with sales volume; profit margin and return on investment determine performance (Ofek & Sarvary, 2003). A proper customer orientation helps the suppliers to know key customer properly and facilitates them to serve key customer needs well which in turn ensures the performance of key account program and organizational

outcome performance. In the business to business arena, customer perception about the key account management approach affects its performance, because their positive perception influence them to be receptive as long as the relationship does not create any disadvantage for them and develops commitment toward the program (Pardo, 1997).

Al-Husan and Brennan (2009) identified that the most important changes that facilitated efficient and successful management of accounts are swift access to top management and authority to communicate with any level in the organization, authority to yield decisions, teamwork and training. Similarly, Workman et al. (2003) found that building esprit de corps among the involved in key account management program, initiating proactive activities and performing them in intensive way, assurance of key account manager's access to key resources of marketing and sales and top management involvement are the key determinants of key account management program performance. As the key account management performance is verily related to account manager, Napolitano (1997) explained that selecting account manager with conceptual and analytical ability including high-level selling skills along with superior relationship skills to understand the account's key profit and productivity goals and to provide solution on the basis of their company's ability and creativity are necessary for key account success. Therefore, it is vital for the supplier company to ensure key account management performance through availing necessary arrangements and resources that eventually will serve both parties financial and nonfinancial objectives.

### **2.3 Relational Factors: Antecedents of KAM Performance**

Relational factors are those factors that act as successful drivers of relationship performance (Wilson, 1995) with the key account customers. Relational factors like partners' long-term orientation (Claro, Hagelaar & Omta, 2003), reputation and long-term orientation and expectation of upcoming transactions Ganesan (1994), duration of business relationship (Noordewier, John & Nevin, 1990) all affect key account management performance. Sin, Tse, Yau, Lee and Chow (2002) identified trust, bonding, shared value, communication, reciprocity and empathy as the key relational factors impact on the sustained customer relationship. Trust and commitment and bonding are mentioned as prime relational factor by Morgan and Hunt (1994) and Callaghan, Mcphail and Yau (1995). Anderson and Narus (1990) highlighted stress on the important role of interaction to assure cooperation and trust in the partner relationship. In the key business relationship, long-term business interaction is an important factor for its performance.

Present study takes marketer relational investment, perceived buyer relational investment and relational intimacy as antecedent variables of key account management performance. Justification for choosing these variables are given in the following subsections.

### ***2.3.1 Supplier Relational Investment***

The importance of supplier relational investment in building relationship with business customers (key accounts) and making the key account management approach success is explored widely in the literatures (Heide & John, 1988; Pillai & Sharma, 2003; Sharma, 2006). Supplier relational investment can be defined as the assets that supplier invest and utilize to create a competitive advantage (Sharma, 2006) that are idiosyncratic in nature. In describing this investment, Anderson and Weitz (1992) mentioned that idiosyncratic investments are those investments which are explicit to a channel relationship. These investments are hard or not possible to invest to other channel relationship, thus investing firms lose significant value unless the relationship lingers.

Lund (1985) termed it as the costs the supplier electively shoulder to develop and sustain the relationship in expectation of future interactions. Within the supplier relational assets, some are transferable and others are not transferable but help in building the key customer relationship. In line of supplier relational investment, Anderson and Narus (1990), Anderson and Weitz (1989, 1992) and Heide and John (1988) viewed that on the way of developing the long-term relationship with customers, transaction-specific investment creates buyer's dependency on the supplier. Heide and John (1988) mentioned that transaction-specific investment (assets) includes human and physical assets (tangible and intangible) which are required to support the exchange between buyer and seller and they are specialized to the exchange relationship. Thus, as these assets cannot be easily duplicated (Porter, 1985; Heide & John, 1988, 1990), high level of investment in relationship-specific assets i.e., transaction specific assets creates mutual dependence, aligns their interests and encourages mutual adjustment (Weiss & Kurland, 1997) and thus bonds suppliers more closely to their accounts which results in higher degree of key account management performance (Sharma, 2006).

In general, it is evident that most of the studies conducted in the business to business settings to examine the relationship between the extent of supplier's investment in the relational assets and its resulting outcomes and demonstrated positive association. This implies that a sound investment in the relational assets by supplier ensures the customer interest and thus warrants the performance of key account management strategy.

### ***2.3.2 Perceived Buyer Relational Investment***

Perceived buyer relational investment can be defined as the perceived degree of investment in relational resources by buyer that would be lost or no longer functional if the relationship were ended (Rusbult, 1980). Similarly Lund (1985) mentioned that it is the investments the buyer electively bears to develop and continue the relationship in an expectation of future interactions. Buyer investment in relational resources can be characterized by the level to which they are distinctive to the exchange and cannot be reinvested in other exchanges and develop relational exchanges and increase buyer and seller commitment to the relationship (Blau, 1964; Cook & Emerson, 1978; Pillai & Sharma, 2003). When buyer's investment takes place in the relational arena then the performance of key account programs is fostered (Sharma, 2006). Anderson and Weitz (1992) termed idiosyncratic investment as that investment which is unique to a particular relationship. Non-redeployable assets are difficult or not possible to invest to another exchange relationship; therefore, relationship breakdown produces substantial loss of value unless it continues.

When buyer invests in relational assets it develops credible commitment between the parties involved (Blau, 1964; Cook & Emerson, 1978) and supports continuing exchange with supplier. Williamson (1985) mentioned that a lock-in situation is created when the deployment of mutual specific assets taken place, because both buyer and seller are pushed to risk and opportunistic behavior (Burki & Buvik, 2010). Buvik and Haugland (2005) stated that this parallel deployment of specific assets develops impartial dependence situation where the interest of buyer and seller is served and also supports relationship to maintain and eventually key account relationship performance is ensured. In the same vein, Heide and John (1992) declared that high sunk costs are related to physical or human assets in the buyer-seller relationship and as they are non-redeployable, their investment help to make the key account relationship successful.

However, organizational economists emphasize that not all investment increase the commitment between the parties involved in an exchange process. To ensure the commitment, only the investments that have the ability to generate the credible commitment and support the exchange process to advance in an efficacious way (Klein & Leffler, 1981; Williamson, 1983) are important. In this regard, Ojasalo (2002) explained that economic and social investments enforce buyer commitment in the key account relationship. Furthermore, adaptations resemble investment to a high extent when an account adapts to the capabilities to the seller (Ojasalo, 2002). Montgomery and Wernerfelt (1988) discussed on the firm particular investments may strengthen the exchange relationship between the parties involved. Medcof (2001) mentioned that when this investment takes place, it creates some advantage in the form of power that belongs to the suppliers. Belaya, Gagalyuk and Hanf (2009) and Jap and Ganesan



(2000) pointed out that with this investment buyers are concerned about two things: (i) the likelihood of a supplier ending the relationship, which would generate irreversible loss and (ii) utilization of these particular assets by supplier as hostage, that makes it complex for customers to recover the value of their investments. Heide and John (1990) opined that joint actions mitigate the uncertainty involved with the buyer's investment in the specific assets.

Investment made by buyers deters them to think alternate suppliers and make them bound to maintain relationship with their supplier as these investments develop the financial burden for them. Barney and Ouchi (1986) stated that when the level of investment in transaction specific assets increases by the buyers then the tendency of switching to other supplier's decreases as it leads to increased costs of changing an existing partner. Heide and John (1990, 1992) mentioned that high sunk costs are related to physical or human assets in the buyer-seller relationship and as they are non-redeployable, their investment help to make the key account relationship successful. Similarly, Rusbult (1980) highlighted that these idiosyncratic assets would be vanish or no longer are helpful if the connection between customer and supplier terminated. Therefore, it is evident that when buyer invests in relational assets, it creates a commitment to the key account relationship, bonds them and eventually ensures greater degree of key account management performance.

Although above studies confer the positive relationship between buyer investment in relational assets and key account management performance and necessity of these assets to develop belongingness within buyer, recent study shows negative relationship between these two. The study of Sharma (2006) found that buyer investment in relational assets like technological platforms and training does not emerge to establish the key accounts management performance. According to his suggestion, to delineate the boundary conditions, further examination is required to investigate the association between buyer relational assets and key account management success. This proposes more research to establish the relationship between perceived buyer relational investment in key account relationship and key account management performance.

### ***2.3.3 Relational Intimacy***

The important role of relational intimacy or bonds in marketing relationship between buyer and supplier is mentioned in numerous studies (Čater, 2008; Eisingerich & Bell, 2006; Perry, Cavaye & Coote, 2002; Sanford & Maddox, 1999; Sin, Tse, Chan, Heung & Yim, 2006; Wilson, 1995). Relational intimacy is termed as the investments of time and energy to produce constructive interpersonal relationships between/among the exchange parties (Perry et al., 2002). In marketing, relational intimacy brings buyers and sellers together in a common cause or emotion and sustains the key account relationship. It has been

taken as essential component of relationship marketing orientation (Sin et al., 2002; Wetzels, De Ruyter & Van Birgelen, 1998; Sin, Tse, Yau, Chow & Lee, 2005; Eisingerich & Bell, 2006) that helps the long-term survival of key account relationship (Sharma, 2006). The present study uses relational intimacy between key account customer and supplier which also includes both social and personal bonds and collectively bonds.

From the study of Wilson (1995) it is evident that relational intimacy refers to the level of reciprocal personal bondage and liking shared by the exchange partners. It is a relational tool that includes personal confidence, friendship and familiarity and this bond developed through the process of exchange (Rodriguez & Wilson, 2002). In the key account relationship greater commitment is required to ensure the greater performance of key account management approach and Wilson and Mummalaneni (1986) and Yim, Tse and Chan (2008) mentioned that relational intimacy leads to a superior commitment to uphold the relationship between buyer and seller. In this regard, Sharma (2006) stated that strong personal relationship generates the relationship-sustaining factors like trust and commitment. He also states that a large number of key account relationships are maintained through relational intimacy because it perpetuates relationship and helps manage relationships through difficult times (Pillai & Sharma, 2003). As risks are related in the buyer seller exchange process, personal contacts help to lower buyer's risks, improve the supplier's credibility and both buyer and seller acquire intelligence about the market (Cunningham & Turnbull, 1982) and the acquired knowledge help them to take action better to new prospects and threats (Witkowski & Thibodeau, 1999).

In sum, it can be concluded that relational intimacy plays a vital role in ensuring the higher degree of the key account management performance. Buyer and seller can use the relational intimacy as an encouraging tool that generates the belongingness within them towards the key account relationship. At the same time through relational intimacy, both of them can fulfill their social needs as well.

## **2.4 Length of Relationship**

Length of relationship means the duration that the relationship between the exchange partners has existed (Palmatier, Dant, Grewal & Evans, 2006) and the way the parties regard each other as they pass through various phases (Dwyer et al., 1987). Shi et al. (2010) defined relationship continuity as the focal supplier's belief that the relationship with the key account customer will continue for a long time. The present study uses the length of relationship as moderator that may interact with the relationship between key account management performance and key customer repeat order behavior. In the key account management relationship, Wotruba and Castleberry (1993) explore that the length of time the NAM

(national account management) program has been in existence appears to impact on performance with older programs showing the best performance.

Literatures show that longer relationship develops confidence between buyer and seller (Bolton, 1998; Buvik & Haugland, 2005; Rust et al., 1999; Weiss & Kurland, 1997) that foster the attainment of mutual goals. Social psychology literatures clarify that individual in early stages of a relationship have been found to have less confidence in their evaluation of their partners than in later stages of that relationships (Swann & Gill, 1997). Verhoef et al.'s (2001) study stated that this is because the effect of such evaluations on behavior in later stages of relationships enhance. In this regard, Bolton (1998) and Rust et al. (1999) argued that this same process might also hold for customers' confidence in their satisfaction judgments as an outcome of KAM performance. Verhoef, Franses and Hoekstra (2002) stated that literature on relationship marketing shows that buyer-seller relationships go through different phases. Similarly, Dwyer et al. (1987) stated that each relationship phase represents a major transition of how parties regard one another and in the different phases, different variables are important in explaining the success of relationships.

Gill, Swann and Silvera (1998) noted that people in long-lasting relationships have considerable confidence in their evaluations of their partners, regardless of whether those beliefs are accurate. Thus, although customers with lengthy relationships may have erroneous evaluations of the supplier, they tend to be more confident about these evaluations and in the early stages of the relationship customers have less confidence in their evaluation of the supplier (Verhoef et al., 2002). Therefore, direct experiences from interactions with the supplier should be more powerful predictors of relationship outcomes in lengthy relationships (Jap, 1999). Grayson and Ambler's (1999) study showed that the evaluations of interactions only affect the use of a marketing service in lengthy relationships.

Verhoef et al. (2002) declared that relationship age has been of interest to relationship marketing researchers for some years now. Only recently have studies investigated the moderating effect of relationship age on the effect that relational constructs, such as trust, satisfaction and commitment have on relationship outcomes (Verhoef et al., 2002). Workman et al. (2003) pointed out that there may be interactions between KAM effectiveness and moderators and future research should consider the role of moderator between KAM effectiveness and outcomes. Wagner (2011) revealed that the nature of buyer-seller relationship is dynamic where relationship life-cycle might moderate the relationship between supplier development and firm performance in the buyer-seller relationship dyad. Shi et al. (2010) suggested for more research to substantiate the field of key account management that links global account management strategies to their drivers, moderators and outcomes.

In sum, it appears that length of relationship between buyer and seller in key account relationship let them to know each other and facilitates both parties to interact frequently on various issues like knowledge exchange, making adjustment as necessary for mutual benefits and so on which eventually ensure key account management performance and foster repeat order.

### 3. THEORETICAL UNDERPINNING AND PROPOSITIONS

On the basis of extensive literature review, a framework is developed to incorporate the influence of three relational antecedent factors namely supplier relational investment, perceived buyer relational investment and relational intimacy that affect the key account management performance and its resulting impact on repeat order. In addition, it is proposed that length of relationship moderates (enhances) the relationship between key account management performance and repeat order. Following figure on the next page depicts these relationships and follows a brief discussion.

The framework is based on the social exchange theory (SET) that incorporate economics, psychology as well as sociology (Lee, Mohamad & Ramayah, 2010) and was grown out to comprehend the human social behavior from the economic perspectives (Homans, 1958). The major proposition behind the social exchange theory is that persons behave in such a way which adds value to the outcomes they treat positively and refrain from showing those behaviors that impact negatively on the outcomes in the relationship (Rodríguez & Wilson, 2002). The things exchanged here include goods, material goods as well as non-material goods including prestige or symbols of authorization (Homans, 1958).

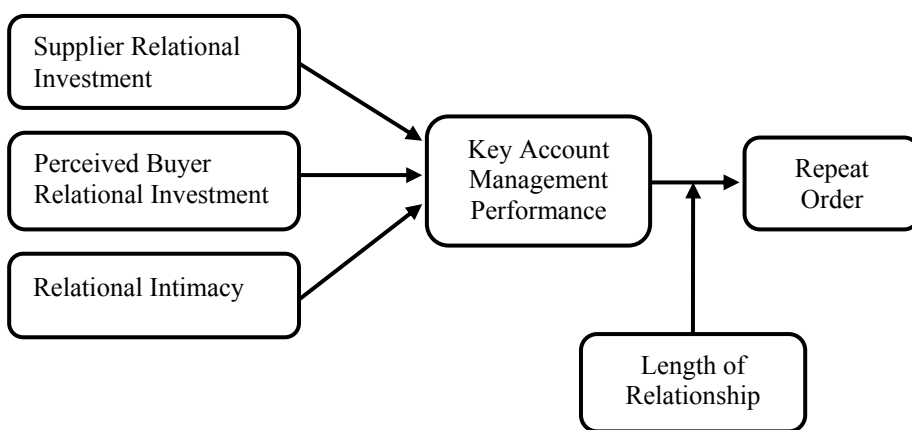


Figure 1: Theoretical Framework

For instance, in the case of key account management relationships, a company makes an offering to its key account, via its key account management strategy. These contributions may be relational assets, better performance through internal coordination, senior management supports and involvement and so on. In turn, company develops an expectation of getting some rewards in future which may include profits, enhanced relationship, business continuity or repeat order and development of trust. As buyers are realizing various benefits from company, a sense of commitment develops within him to repay company in the form of proper attitudinal and behavioral reactions which may include relational intimacy, investment in relational assets or maintaining relationship for long. As is explored by Fischer and Bristor (1994), “social exchange theory explicitly predicts social relationships to be based on each partner’s motivational investment and anticipated social gain”. The studies of Goetz and Scott (1981), Gundlach and Murphy (1993) and Macneil (1980), explored that as it is very tough to create an all encompassing contract between exchange parties, it is vital to have a relationship controlling mechanism namely ‘relationship’. In this regards, Lambe, Wittmann and Spekman (2001) stated that today marketing academics are using social exchange theory to define many phenomenon relating to business-to-business that consider the non-contractual mechanism ‘relationship’ to sustain the relational exchanges in absence of broad based (always not possible to create) contract (Dwyer et al., 1987; Gundlach & Murphy, 1993; Heide & John, 1988).

Thus, the above discussion warrants taking social exchange theory to underpin the justification of the theoretical framework of relational antecedents and consequence of key account management performance in the context of business-to-business relationship.

### **3.1 Research Propositions**

In the current study repeat order is termed as the continuation of purchasing goods and services from an organization (Molinari et al., 2008) by key account customer. Through the performance of key account management approach suppliers can be more aware about the customer’s requirements and able to meet those requirements with more customized attention that eventually ensure the repeat purchase. In this regards, Boles et al. (1997) explored that when a seller keeps a customer it makes it easy to ensure more business from buyers and it also lets the seller to serve a buyer better and possibly boost sales to that key account. It is because an anticipated level of performance is likely to have a significant influence on keeping or leaving the relationship (Jackson, 1985; Levitt, 1981).

From the above discussion, it can be summarized that key account management approach leads to higher key account’s satisfaction which in turn ensures business continuation in the form of repeat order. On the other hand, key account

customers have no difficulties about switching to other competing countries if they are dissatisfied. Therefore, it is proposed that:

**Proposition 1: Key account management performance is positively related to repeat order.**

Previous studies suggest that supplier's investment in the relational assets influence the total key account management performance. According to Sharma (2006), these assets are used to build the relationship and complete the transaction with success and which in turn creates superior value for the key accounts necessary for the success of key account management approach (Henneberg, Pardo, Mouzas & Naude, 2009). The supplier invest in relational assets expects to make the key account management approach effective to develop the long-term relationship with key accounts, to develop buyer dependence and to align their interests and encourages mutual adjustment (Anderson & Narus, 1990; Anderson & Weitz, 1989, 1992; Heide & John, 1988; Weiss & Kurland, 1997).

Thus, it is evident that supplier investment in relational assets plays a vital role in ensuring the higher degree of key account management performance. In case of business-to-business relationship, the increased level of investment in relational assets will help the suppliers overcome their limitations and increase their capabilities to serve the customers' requirements properly. Eventually, this study proposed the following:

**Proposition 2: Supplier relational investment is positively related to key account management performance.**

Taking from the literature, perceived buyer relational investment is defined as the investment made by buyer which helps to cement the long-term relationship and thus impact positively on the key account program (Pillai & Sharma, 2003). Williamson (1983) stated that by investing in specialized assets buyers support the creation of the mutual reliance relations and this investment acts as incentives for seller to become satisfied. Additionally, buyer invests in relational assets develops credible commitment (Blau, 1964; Cook & Emerson, 1978) as it supports continuing exchange with supplier. When the level of investment in transaction specific assets increases by the buyers, then the tendency of switching to other supplier's decreases as it leads to increased costs of building relationship with a new party (Barney & Ouchi, 1986). Leenders and Blenkhom (1988) described that buyer who invests to maintain relationship with suppliers want to get involved in activities which are the supplier's restricted field for minimizing the threats or uncertainties concerned.

Thus, it would seem likely that buyer investment in relational assets will develop the belongingness within them and make them committed to the key account relationship. Hence, it is proposed that:

**Proposition 3: Perceived buyer relational investment is positively related to key account management performance.**

In marketing, relational intimacy brings buyers and sellers together in a common cause or emotion and sustains the key account relationship. Relational intimacy develops and enhances customer loyalty whose direct results are feelings of friendliness and a sense of belongingness to the relationship as well as informally develops a sense of belongingness towards the firm (Sin et al., 2006). In the key account relationship greater commitment is required to make the key account management approach success and relational intimacy with strong personal bonds lead to greater obligations to uphold the relationship between buyer and seller (Wilson & Mummalaneni, 1986; Yim et al., 2008). Sharma (2006) explained that a big number of key account relationships are continued through better personal and social bonds between customer and seller people.

Thus, in the business-to-business relationship buyer and seller can use the relational intimacy as an encouraging tool that generates the belongingness within them towards sustaining the key account relationship. Therefore, it is proposed that:

**Proposition 4: Relational intimacy is positively related to key account management performance.**

Borrowing from the literatures, length of relationship is defined as the extent of relationship between buyer and seller where they pass through various phases and how the parties regard each other (Dwyer, et al., 1987). Wotruba and Castleberry (1993) explored that the length of time the NAM (national account management) program has been in existence appears to impact performance with older programs showing the best performance. Verhoef et al. (2002) stated that, it is evident in the extant literatures that buyer-seller relationship passes through different stages. For example, Dwyer et al. (1987) explored that at the different phases of buyer-seller relationship both parties treat each other differently and within these stages various factors play their key role to influence the relationship.

As the relationship established in the key account management dyad, both supplier and customer invest in relational resources which make them mutually dependent on each other (Weiss & Kurland, 1997; Heide & John, 1988; Pillai & Sharma, 2003; Williamson, 1985;) and when the parties are interdependent, lengthy relationship has more clear and better interactions, higher trusts, superior

elasticity and better commitment (Anderson & Weitz, 1989; MacNeil, 1978; Ouchi, 1979). Thus, in the long-run relationship supplier experiences from recurrent interactions with customer that exerts powerful influence on relational outcomes (Jap, 1999). Wagner (2011) mentions that the nature of buyer-seller relationship is dynamic where relationship life-cycle might moderate the relationship between seller improvement and organization's effectiveness.

Therefore, it indicates that the effect of key account management performance on organizational outcome performance like repeat order is enhanced by the length of relationship between key account customers and suppliers as the link between an exogenous factor and an endogenous factor is affected by a moderator (Baron & Kenny, 1986). Therefore, the study proposed that:

**Proposition 5: Length of relationship moderates (enhances) the positive relationship between key account management performance and repeat order outcome performance.**

#### **4. IMPLICATIONS AND CONCLUSION**

From this proposed, theoretical model several implications can be forwarded. First and foremost is its uniqueness in assembling the relational factors that influence the key account management performance. Secondly, the theoretical framework incorporates the outcome of key account management performance and the moderating effect of length of relationship on the key account management performance-repeat order relationship. Knowledge about individual influence of these categories on key account management performance, its resulting impact on repeat order as well as moderating effect of length of relationship helps us to uplift our understanding of this emerging field of relational selling. These notions are echoed in the statement of Shi et al. (2010) who argued that scholarly research on global account management is in its nascent stage and researches are essential to substantiate our knowledge on global account management, its drivers, moderators and outcomes. Thirdly, the theoretical framework that is provided created a plate form for future empirical study. Fourthly, this study also sheds light to the application of social exchange theory (SET) in the context of key account management approach where 'relationship' acts as governing mechanism between key account and supplier company.

In addition, several managerial implications are common with this study. Firstly, in applying the key account management approach at the organizational level, management should have the knowledge about which factors influence this approach. From the clear discussion provided here, they can get a clear understanding about the impact of these relational factors. Although these factors



are not all inclusive, management should be vigilant in applying and depending on these variables. It is because the context in which they are working is different from one case to another. Secondly, cooperative and coordinated actions can be promoted to avoid uncertainties in the key account management relationship. Regarding managing key account relationship, management should give emphasis on long-term orientation as length of relationship positively impact on the outcome of key account management performance.

Based on the theoretical framework, several limitations are forwarded which create new avenues for future research directions. Firstly, although the study arranges three relational antecedents influence the key account management performance, we do not know which variables exert more influence than other. Thus, future empirical research can find out this phenomenon and provide the evidence for more or less influencing variable which are critical for management for decision making in this regard. Secondly, in this study researcher only incorporated relational variables that influence the key account management performance. So, future research should include more antecedent variables to test their impact on the key account management performance. Thirdly, the study introduces repeat order as the consequence of key account management performance. Future research can introduce other dyadic outcomes and also negative consequence of key account management performance like dissolution or customer switching behavior. Fourthly, empirical research can provide the evidence whether or not length of relationship moderates the relationship between key account management performance and repeat order in different industrial selling as buyer-seller relationship is dynamic and in each phase of interaction they treat them differently. In addition, testing the model with the presence of control variable can be a new research direction.

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