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Does Orchardist Influence the Volume and Duration of Apple Harvest?

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Abstract

Backdrop: The focus of contemporary academic as well as practitioners research, relating to business associations involving strategically significant high potential buyers among B2B markets, is more inclined towards determining the ways and means to sustain long term advantageous business associations and ensuring the delivery of mutual value for both, supplier firm and key customers. Unfortunately there exist limited research explorations to explain the role of KAM executives in creating, communicating and delivering superior value to key accounts.

Query: Does Orchardist (KAM executive) influence the volume (sales/profits) and duration (long term association) of apple harvest (continuous extraction of business from key customers).

Riposte: This exploration conceptualized and examined a conjecture model on KAM relations and associated value delivery, using the structural equation modeling through partial least square (PLS) latent path model analysis.

Insinuations: The empirical exploration offered insinuations for practicing KAM executives by determining the significant actions to be performed that have potential to augment the value perception among the key customers. On the other hand, this exploration expanded the horizon of KAM literature, by deepening the comprehension relating to superior value delivery amidst KAM relationships.



Keywords: Key customer, Key account management, Customer value, Structural equation modeling, Partial least square (PLS).

Introduction

Delivering Value amidst Sustained Business Associations

Apart from determining the needs and wants of the target customers, delivering superior customer value is the core essence of firm's marketing strategy (Gale, 1994)^{*}, the better comprehension of the industrial or B2B markets can be obtained only by the means of customer value (Walter & Hans, 2001)[†]. As developing and implementing the customer centric activities form the nucleus of superior value delivery to customers in B2B marketing (Anderson & James, *Business Market Management: Understanding, Creating, and Delivering Value*, 1999)[‡]. The collaborative business associations vest on the platform of realizing mutually beneficial value, where efforts are initiated from both the parties I.e., supplier firm as well as key customer (Anderson & James, 1990)[§].

The creating, communicating and delivering superior customer value is the prime most objective of the firm's marketing efforts, aimed at developing and maintain sustained business associations with the strategically important customers in B2B markets (Kotler, *A Generic Concept of Marketing*, 1972)^{**} (Anderson, 1995)^{††}. Business houses as well as marketing researchers across industries have acknowledged that key account management has emerged as strategic tool in developing and maintaining sustained business associations with the key customers in B2B markets (Weilbaker & William, 1997)^{‡‡}. Off late numerous firms across the industries have placed key account management infrastructure and systems by allocating sizeable amount of human, financial and technological resources to manage their strategically significant customers (Kempeners & Van Den Hart, 1999)^{§§}.

From the extant literature it is evident that customer value is vital for ensuring successful long term business associations with key customer; it inevitable to comprehend and determine the influence of KAM executives on the process of creation, communication and delivery of superior value in business relationships. Though substantial literary works exist on key account management and customer value creation, astonishingly existing literature doesn't explain much the role played

* Gale, Bradley T. (1994), *Managing Customer Value—Creating Quality and Service that Customers Can See*, New York, NY: The Free Press.

† Walter, Achim, Thomas Ritter, and Hans G. Gemünden (2001), "Value Creation in Buyer-Seller Relationships: Theoretical Considerations and Empirical Results from a Supplier's Perspective," *Industrial Marketing Management*, 30 (4), 365-377.

‡ Anderson, James C. and James A. Narus (1999), *Business Market Management: Understanding, Creating, and Delivering Value*, Upper Saddle River, NJ: Prentice Hall, Inc.

§ Anderson, James C. and James A. Narus (1990), "A Model of Distributor Firm and Manufacturer Firm Working Partnerships," *Journal of Marketing*, 54 (January), 42-58.

** Kotler, Philip (1972), "A Generic Concept of Marketing," *Journal of Marketing*, 36 (April), 46-54.

†† Anderson, James C. (1995), "Relationships in Business Markets: Exchange Episodes, Value Creation, and Their Empirical Assessment," *Journal of the Academy of Marketing Science*, 23 (4), 346-350, p. 349.

‡‡ Weilbaker, Dan C. and William A. Weeks (1997), "The Evolution of National Account Management: A Literature Perspective," *The Journal of Personal Selling and Sales Management*, 17 (4), 49-59.

§§ Kempeners, M.A. and H.W. Van den Hart (1999), "Designing Account Management Organizations," *Journal of Business and Industrial Marketing*, 14 (4).



by KAM executive on the value perceived by the key customers. The present research attempts to expand our comprehension about the role essayed by KAM executives in creation of customer value in prolonged mutually beneficial business associations with key accounts.

This research has two questions to answer namely, a) Does KAM executive have potential to influence the value perceived by key accounts? b) What are the key drives of value creation for key accounts? With a view to derive answers to these aforesaid research questions, the rest of the write-up is with following structure: i) Discussion on customer-value in industrial or B2B markets ii) Discussion highlighting the integration of key account management activities across other functional departments of the organization iii) Review of literature, formulation of hypotheses iv) Testing of hypotheses using structural equation modeling (PLS) v) Presenting managerial and theoretical insinuations vi) highlighting limitations and prospective research directions.

Customer-value in Industrial / B2B Markets

The platform on which the entire activity of marketing stands firm is the 'Customer-Value' (Holbrook, 1994)^{***}. Nevertheless, it became a regularly used jargon in managing key accounts from the early 1990's. There exists a strong relationship of customer-value with exchange theory of marketing management. At the outset, this theory states that voluntary market exchange is the basis of the discipline (Alderson, 1957)^{†††} (Kotler, A Generic Concept of Marketing, 1972) (Houston, 1987)^{‡‡‡}. The voluntary exchange would take place only when the parties involved anticipate profitable trade-off from the exchange, the value is the pivotal factor the drives exchange transactions and business associations (Kotler, 2000)^{§§§}. The extant writings in the area of customer value have numerous connotations where in four facets can be highlighted, a) customer value is subjective in nature b) customer value is considered as balance amidst paybacks and costs involved c) paybacks and costs are multi-dimensional d) perception of value changes according to intensity of competition.

The perception of value by customer is idiosyncratic in nature; it is based on customer's unfulfilled needs and environmental conditions. As a corollary, customers would feel different perceptions of values in an offering at different time and place. In B2B markets, the individuals of buying centers involved in making purchase decisions would perceive different value perceptions relating to the product/service offered by supplier firm (Kortge & Okonkwo, 1993)^{****}. The customer value is stated as the balance amidst paybacks (what individual gets) and costs (what an individual gives) in an exchange transaction (Zeithaml, 1988)^{††††}. Whereas in consumer markets the statement of customer value is termed as balance amidst the quality, service and price; purchaser's

^{***} Holbrook, Morris B. (1994), "The Nature of Customer Value: An Axiology of Services in the Consumption Experience," in: *Service Quality: New Directions in Theory and Practice*, Roland T. Rust, and Richard L. Oliver, eds. Newbury Park, CA: Sage Publications.

^{†††} Alderson, Wroe (1957), *Marketing Behavior and Executive Action*, Irwin, Homewood, IL.

^{‡‡‡} Houston, Franklin S. (1987), "Marketing and Exchange" *Journal of Marketing*, 51 (October), 3-18.

^{§§§} Kotler, Philip (2000), *Marketing Management: Analysis, Planning, Implementation, and Control*, Upper Saddle River, NJ: Prentice Hall, Inc.

^{****} Kortge, G. Dean and Patrick A. Okonkwo (1993), "Perceived Value Approach to Pricing", *Industrial Marketing Management*, 22, 133-140.

^{††††} Zeithaml, Valerie A. (1988), "Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence," *Journal of Marketing*, 52 (July), 2-22.



feel of value indicates the balance between the three triads namely – quality, service and price of a product and service (Monroe, 1990)^{****}. In another research work (Hutt & Thomas, 1988)^{****} state that, value = quality + price.

In common exchange transactions customer value perception can be explained through product quality and price; whereas in case of long term business associations in B2B markets, the value has multiple connotations. For instance, (Anderson, Dipak, & Pradeep, 1993)^{*****} have postulated four different payback based value dimensions: a) financial, technical, service and social paybacks. These payback dimensions are against the notion of cost dimension of value (that is price paid by the customer for buying and using the product and services. (Gronroos, 1997)⁺⁺⁺⁺ Differentiated amidst couple of payback and couple of cost dimensions; customer value can be stated as: Basic purpose served by the product offering
Price and relationship costs

(Ravald & Gronroos, 1996)⁺⁺⁺⁺ suggested that the balance amidst paybacks and costs shouldn't be confined to the one time transaction. In fact customer value must consider the series of customer interactions, relationship based paybacks and costs factors. Moreover the marketing literature has to gain lot of inferences to determine the common conceptualization of diverse value dimensions; the extant literature unveils a common notion rooted in the writings of various authors that derivation of customer value is not confined to mere triad of quality, service and price, instead it goes beyond that (Grisaffe & Kumar, 1998)^{*****}.

Eventually, value depends on the intensity of the competition prevailing in the market place among the B2B firms. (Buzzle & Bradley, 1987)^{*****} & (Butz & Goodstein, 1996)⁺⁺⁺⁺ (Starhl & Bounds, 1991)⁺⁺⁺⁺ stress that superior value delivery to customers better than the competitors can be expressed as:

$$\boxed{(\text{what is realized by the customer}) - (\text{what is sacrificed by the customer})}$$

In another work, (Eggert & Ulaga, Customer-Perceived Value: A Substitute for Satisfaction in Business Markets?, 2002)^{*****} define the customer value in B2B markets as the balance amidst the diverse paybacks and costs relating to a product or service sold by the selling firm, as viewed by the

**** Monroe, Kent B. (1990), *Pricing—Making Profitable Decisions*, New York, NY: McGraw Hill.

**** Hutt, Michael D. and Thomas W. Speh (1998), *Business Marketing Management—A Strategic View of Industrial and Organizational Markets*, 6th ed., Fort Worth, TX: The Dryden Press.

***** Anderson, James C., Dipak C. Jain, and Pradeep K. Chintagunta. (1993), "Customer Value Assessment in Business Markets", *Journal of Business-to-Business Marketing*, 1 (1), 3-29.

++++ Grönroos, Christian (1997), "Value-Driven Relationship Marketing: From Products to Resources and Competencies," *Journal of Marketing Management*, 13 (5), 407-419.

++++ Ravald, Annika and Christian Grönroos (1996), "The Value Concept and Relationship Marketing," *European Journal of Marketing*, 30, 19-30.

***** Grisaffe, Douglas B. and Anand Kumar (1998), "Antecedents and Consequences of Customer Value: Testing an Extended Framework," Working Paper 107, Marketing Science Institute.

***** Buzzell, Richard and Bradley T. Gale (1987), *The PIMS Principles: Linking Strategy to Performance*. New York, NY.

++++ Butz, Howard E. Jr. and Leonard D. Goodstein (1996), "Measuring Customer Value: Gaining the Strategic Advantage", *Organizational Dynamics*, 24 (Winter), 63-77.

++++ Stahl, Michael J. and Gregory M. Bounds (1991), *Competing Globally through Customer Value: The Management of Strategic Suprasystems*, Quorum: New York, NY.

***** Eggert, Andreas and Wolfgang Ulaga (2002), "Customer-Perceived Value: A Substitute for Satisfaction in Business Markets?", *Journal of Business and Industrial Marketing*, forthcoming.



decision makers of the purchasing firm's buying center, by taking in to consideration the alternative supplier firms and their offerings along with the specific use or a buying situation. By considering the aforesaid discussion relating to the core concept of customer value, the following conceptual model is developed to ascertain the influence of KAM executives on supplier firm's ability to deliver superior value to key customers.

KAM Executive and Customer Value Creation – A Conceptual Model

KAM executives play the vital part in business associations by supplementing and sustaining the existing business associations with the key customers (Bacon, *Selling to Major Accounts: Tools, Techniques and Practical Solutions for the Sales Manager*, 1999)^{*****}. The KAM executives main look after is to decrease the abrasion in the business associations and augment the fit amidst the customer needs and the supplier's offerings (Weitz & Bradford, 1999)^{††††††}. The better comprehension of the process of delivering superior value in KAM transactions depends on the determination of driving factors of customer value that are influenced by the KAM executives.

The extant writings on the role of KAM executives on customer value creation are very minimal (Wotruba & Castleberry, 1993)^{††††††}. Hence, the qualitative study was necessary to form the base understanding of the concept. Qualitative study was carried out which was consistent with standard procedures stated by (Glaser & Strauss, 1967)^{§§§§§§} (Yin, 1984)^{*****} (Zaltman, Lemasters, & Heffring, 1982)^{††††††††} which included in-depth interviews with the KAM executives. Content validation was carried out by the help of two marketing professors and a research scholar to develop a differentiating scheme and to evaluate the meaning of the differentiated concepts (Lothia, Brooks, & Krapfel, 1994)^{††††††††}.

All in all eight driving factors of customer were identified, namely: a) Customized promotional offers, b) Co-ordination, c) Horizontal Communication, d) Vertical Communication, e) Exchange of information with buying center, f) Role formalization, g) Capacity to make buying decisions and h) Transparency in dealings. Depth interviews unveiled that KAM executives perform dual critical tasks which are internal and external in nature respectively.

Internal task pertains to delivering superior value to key customers by establishing seamless cross functional integration and communication structure for two way exchange of vital information. Whereas, External task pertains to creating an optimal balance amidst the key customer's needs and requirements with the suitable product offering that has the potential to

***** Bacon, Terry R. (1999), *Selling to Major Accounts: Tools, Techniques and Practical Solutions for the Sales Manager*, New York, NY: American Management Association.

†††††† Weitz, Barton A. and Kevin D. Bradford (1999), "Personal Selling and Sales Management: A Relationship Marketing Perspective," *Journal of the Academy of Marketing Science*, 27 (2), 241-254.

†††††† Wotruba, Thomas R. and Stephen B. Castleberry (1993), "Job Analysis and Hiring Practices for National Account Marketing Positions," *The Journal of Personal Selling and Sales Management*, 13 (3), 49-65.

§§§§§§ Glaser, Barney G. and Anselm L. Strauss (1967), *The Discovery of Grounded Theory*, Chicago, MI: Aldine.

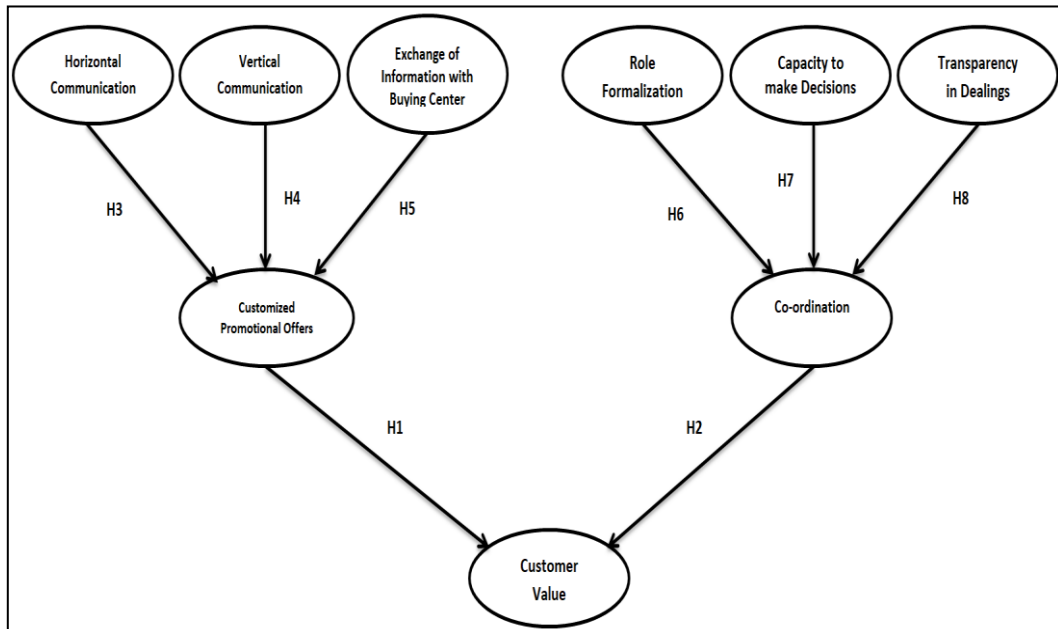
***** Yin, R.K. (1984), *Case Study Research-Design and Methods*, Newbury Park, CA: Sage Publications.

†††††††† Zaltman, Gerald, Karen LeMasters and Michael Heffring (1982), *Theory Construction in Marketing: Some Thoughts on Thinking*, New York, NY: John Wiley.

†††††††† Lothia, Ritu, Charles M. Brooks, and Robert E. Krapfel (1994), "What Constitutes a Transaction-Specific Asset? An Examination of the Dimensions and Types," *Journal of Business Research*, 30, 261-270.

enable the key customers to amplify the value for their end users. Fig.1 presents the detailed conceptual model devised to study the creation of customer value in key account relationships.

Figure 1: Conceptual Model - Creation of Customer Value in Key Account Relationships



As part of their routine job task of external boundary spanning function, KAM executives garner substantial comprehension about the key customer's needs and requirements (Wotruba & Castleberry, 1993)^{§§§§§§§§}, which they can utilize to determine out of the box solutions for key account's difficulties, develop a customer centric approach throughout the organization and eventually establish an optimum balance amidst the firm's product offering and the needs and requirements of the key accounts. This balance would enable the augmentation of customer value perception among the key accounts, considering these aspects the following conjecture is formulated:

H1: Customized Promotional Offers have a Favorable Influence on Key Customer Value

With the help of coordinated activities, firms organize their activities, resources and capabilities to ensure collective attainment of the predetermined objectives (Anderson & James, 1999)^{*****}. Communication processes in business associations are by nature complicated as diverse functional departments and different hierarchical levels are involved in it (Lambe & Spekman, 1997)⁺⁺⁺⁺⁺⁺⁺.

^{§§§§§§§§} Wotruba, Thomas R. and Stephen B. Castleberry (1993), "Job Analysis and Hiring Practices for National Account Marketing Positions," *The Journal of Personal Selling and Sales Management*, 13 (3), 49-65.

^{*****} Anderson, James C., Dipak C. Jain, and Pradeep K. Chintagunta (1993), "Customer Value Assessment in Business Markets," *Journal of Business-to-Business Marketing*, 1 (1), 3-29.

⁺⁺⁺⁺⁺⁺⁺ Lambe, C. Jay and Robert E. Spekman (1997), "National Account Management: Large Account Selling or Buyer-Supplier Alliance?," *The Journal of Personal Selling and Sales Management*, 17 (4), 61-74.



KAM executives organize their efforts in such a way that, key account's perception of coordination is on a higher note, so that, it reduces the customer's cost of handling the relationship; considering this, the following conjecture is formulated:

H2: Co-ordination Posits Favorable Influence on Key Customer Value

Horizontal communication indicates the degree of free communication amidst the key customer's and supplier firm's functional departments. (Leuthesser & Kohli, 1995)^{*****}. Commonly in industrial markets, the solutions to complex business difficulties are arrived through two way communication within cross functional teams of supplier firm and key account firm (Håkansson & Ostberg, 1975)^{*****}. KAM executives can amplify the horizontal communication by linking the right people from both the ends who have the potential to make decisions and helping them when the difficulties in business relationships pop-up. Higher the horizontal communication, greater is the customization of products, services and marketing promotions that better suit the key customer's needs and requirements, considering this the following hypothesis is formulated:

H3: Horizontal Communication Posits Favourable Influence on the Customized Promotional Offers

Along with the horizontal communication, vertical communication aids in deriving certain solutions for pressing customer difficulties. Vertical communication comprises of seamless interaction amidst the key account's buying center and the top decision makers of the supplier firm (Leuthesser & Kohli, 1995). The customized product offerings suiting the key account's needs and requirements are the product of high degree vertical communication, as the vital customer information is obtained and circulated throughout the supplier firm (Barrett, 1986)^{*****}. Considering this the following conjecture is postulated:

H4: Vertical Communication Posits a Favourable Influence on Customized Promotional Offers

Engaging in continuous interaction with the buying center of the key account organization enables the KAM executive to understand their preferences and requirements. The higher the intensity and frequency of KAM executives interaction with the key accounts, the more is the scope to acquire specific needs and requirements of key customers, which enables the supplier firm to deliver suitable product and services; which eventually results in superior value perception by the key accounts (Bacon, 1999)^{*****}, this leads to postulation of the following conjecture:

^{*****} Leuthesser, Lance and Ajay K. Kohli (1995), "Relational Behavior in Business Markets: Implications for Relationship Management," *Journal of Business Research*, 34, 221-233.

^{*****} Håkansson, Hankan and C. Östberg (1975), "Industrial Marketing: An Organizational Problem?," *Industrial Marketing Management*, 4 (2,3), 113-123.

^{*****} Barrett, John (1986), "Why Major Account Selling Works," *Industrial Marketing Management*, 15, 63-73.

^{*****} Bacon, Terry R. (1999), *Selling to Major Accounts: Tools, Techniques and Practical Solutions for the Sales Manager*, New York, NY: American Management Association.



H5: Exchange of Information with the Buying Center of Key Account Organization Posits Favourable Influence on the Customized Promotional Offers

Role formalization relates to the proper and appropriate definition of KAM executive's roles, areas of expertise, mode of communication among the members of the selling firm. According to (Cespedes, 1996) & (Robert & Stern, 1979) role formalization increases the cross functional integration and decreases the scope of misapprehensions and friction while serving a key customers. Selling firms can augment the role formalization by precisely defining the scope, authority, responsibility, rules etc., along with forming a special team of knowledgeable, skilled and experienced sales managers. Considering this fact the following hypothesis is formulated:

H6: Role Formalization Posits Favourable Influence on the Coordination of Key Account Management Activities

Capacity to make decisions refers to the ability of the KAM executives to make valid and candid decisions KAM relationships with strategically important customers. The previous writings in the area of KAM literature reveal about two kinds of KAM managers. One being a liaison agent and another is termed as integration agent (Dishman & Niste, 1998). The first kind – the liaison agent kind of KAM manager has no authority to make any decisions while serving a key account. In fact he has to gain approval from the higher-ups to execute the transactions. On the other hand the second kind of KAM manager – the integration agent who is normally an experienced veteran with requisite knowledge, skill and experience, wherein the selling firm bestows him with power to make decisions in order to reduce the delays and augment the service and value delivery to strategically significant customers (Lawrence & Lorsch, Organizations and Environment, 1969) (Chonko & Burnap, 1998). There exists a lacuna in decision making if, KAM executives do not possess the authority to make decisions. According to (Larson & Gobeli, 1988) the KAM executives with decision making autonomy are the ones who ensure greater coordination, sustained relationship with key accounts and superior delivery of customer value. In this backdrop the following hypothesis is postulated:

H7: Capacity to Make Decisions has Favourable Influence on Coordination of Key Account Management Activities

Keeping the other party in the business association about the actions, consequences, modus operandi and conditions with respect to a particular transaction or exchange process can be termed as transparency (Eggert & Helm, 2002). KAM executives create a transparent platform

Cespedes, Franck V. (1996), *Managing Marketing Linkages*, Upper Saddle River, NJ: Prentice Hall, Inc.

Spekman, Robert E. and Louis W. Stern (1979), "Environmental Uncertainty and Buying Group Structure: An Empirical Investigation," *Journal of Marketing*, 43 (Spring), 54-64.

Dishman, Paul and Philip S. Nitse (1998), "National Accounts Revisited: New Lessons from Recent Investigations," *Industrial Marketing Management*, 27, 1-9.

Lawrence, Paul R. and Jay W. Lorsch (1969), *Organizations and Environment*, Homewood, IL: Richard D. Irwin, Inc.

Chonko, Lawrence B. and Herbert F. Burnap (1998), "Strategic Account Strategies," in *Emerging Trends in Sales Thought and Practice*, Bauer Gerald J. and al., eds. Westport, CT: Quorum Books.

Larson, Erik W. and David H. Gobeli (1988), "Organizing for Product Development Projects," *The Journal of Product Innovation Management*, 5 (3), 180-191.

Eggert, Andreas and Sabrina Helm (2002), "Exploring the Impact of Relationship Transparency on Business



for long term business associations by providing the vital, useful and true information to key accounts about the supplier firm's strategy, marketing and promotional programs, and competitive status in the market or industry, benefit of being associated with supplier firm and so on. The high degree transparency in business associations with key accounts leads to reduced instances of uncertainty, misunderstanding and strengthens the relationship and eventually the returns out of it as well as creates a conducive atmosphere for free flow of information and healthy communication. Considering this fact, the following hypothesis is postulated:

H8: Transparency in Dealings Posits Favourable Influence on the Coordination of Key Account Management Activities

By performing qualitative research (depth interviews) the elementary comprehension of customer value in KAM relationships were ascertained; clubbing this with the theoretical discussions, resulted in the formation of conceptual model presented in Figure 1. In order to derive plausible answers for the research questions, an empirical approach was adopted. However, the majority of the information needed for analysis was acquired from KAM executives, but the ultimate evaluation of the KAM efforts are judged by the key accounts.

Empirical Evaluation

Getting the Needed Information

The current study seeks information from procurement managers who are serviced by KAM executives. There was no availability of complete list of procurement managers; hence drawing a probability sampling was difficult. Therefore, the first task was to derive a list of procurement managers, for which a snowball sampling technique was adopted as the access to target respondents, was difficult (Dawes & Don, 1996) (Spekman & Louis, 1979).

All in all, 335 questionnaires were mailed out of which 127 were returned with 38% response rate. Respondents were informed to choose a relationship with the supplier firms by considering three conditions: a) their relationship with the supplier firm is looked after by the KAM executives b) the relationship with the supplier is collaborative one c) the procurement includes industrial goods not the industrial services. The respondent's competency was determined as per the writings of (Kumar, Louis, & James, 1993). Amongst the 127 questionnaires returned, 22 questionnaire were identified as having missing data and did not fulfill the screening requirements; this lead to a final size of respondent base of 102 (30%).

Relationships: A Cross-Sectional Study Among Purchasing Managers in Germany," *Industrial Marketing Management*.
Dawes, Philip L. and Don Y. Lee (1996), "Communication Intensity in Large-Scale Organizational High Technology Purchasing Decisions," *Journal of Business- to-Business Marketing*, 3 (3), 3-34.
Spekman, Robert E. and Louis W. Stern (1979), "Environmental Uncertainty and Buying Group Structure: An Empirical Investigation," *Journal of Marketing*, 43 (Spring), 54-64.
Kumar, Nirmalya, Louis W. Stern, and James C. Anderson (1993), "Conducting Interorganizational Research Using Key Informants," *Academy of Management Journal*, 36 (December), 1633-1651.



1998) present in the PLS – Graph Software, we can measure the standard deviation and get the probable t-statistic. This nullifies the limitation of lack of no significant testing methods for estimated procedures.

Outcomes

Scale Development, Reliability and Validity

The psychometrically sound measures were developed following the standard procedures discussed in writings of (Churchill, 1979). Initially, reliability analysis was performed and items with lower item-to-total correlations were removed. One item relating to customized promotional offers, two items relating to role formalization, two items relating to vertical communication and one item relating to horizontal communication were removed. Cronbach’s alpha score of the item scales surpassed the threshold limit of 0.7 mark (Nunnally, 1978). For horizontal communication a Cronbach’s alpha score of 0.68 was almost in the reach of acceptable range hence was included for further analysis.

In the second step, principal component analysis with varimax and oblimin rotations were conducted for the variables contained in each hypotheses showing favourable convergent and discriminant validity. In the next step, confirmatory factor analysis was performed. Contrasting to LISREL, the PLS analysis has no focus on measuring the uni-dimensionality in its evaluative model. It can be noted that, uni-dimensionality is an important supposition of evaluative theory (Hattie, 1985). As per the writings of (Anderson & David, 1988) confirmatory factor analysis is the best option to test the uni-dimensionality in multi-indicator evaluative model.

The sample size of this study is smaller, hence unweighted least squares (ULS) was used to estimate the parameters. ULS is an approach of distribution free estimations that are useful in case of smaller samples (Joreskog & Sorbom, 1988). Further bootstrapping was performed to assure the stability of the evaluative models. One item evaluating the ‘Horizontal Communication’ and two items evaluating the ‘Transparency in Dealings’ were removed because of lower indicator reliability. The greater GFI (>0.97), AGFI (>0.96) and lower RMSR (<0.061) indicate good fit amidst evaluative model and observed data.

Chin, W.W. (1998), “The Partial Least Squares Approach for Structural Equation Modeling,” in Modern Methods for Business Research, London, UK: G.A. Marcoulides, Laurence Erlbaum Associates.

Churchill, Gilbert A. (1979), “A Paradigm for Developing Better Measures of Marketing Constructs,” Journal of Marketing Research, 16 (February), 64-73.

Hattie, John (1985), “Methodology Review: Assessing Unidimensionality of Tests and Items,” Applied Psychological Measurement, 9 (June), 139-164.



Structural Equation Modeling

The PLS outcomes are presented in dual phases: 1) by enumeration of its evaluative model and 2) by enumeration of its structural model (Fornell & Larcker, 1981)^{*****}. The characteristics of the evaluative model are presented in Table-1.

Construct	Indicator	Factor Loadings	Rho de Joreskog	Average Variance Extracted
Customer Value	CV1	0.92	0.93	0.76
	CV2	0.86		
	CV3	0.89		
	CV4	0.82		
Coordination	COR1	0.78	0.89	0.67
	COR2	0.87		
	COR3	0.79		
	COR4	0.84		
Personalized Promotional Offers	PPO1	0.8	0.85	0.66
	PPO2	0.81		
	PPO4	0.82		
Role Formalization	RP3	0.8	0.9	0.69
	RP4	0.9		
	RP5	0.8		
Transparency	TRNS3	0.87	0.88	0.72
	TRNS4	0.83		
	TRNS5	0.84		
Capacity to Make Decisions	CMD1	0.84	0.88	0.71
	CMD2	0.82		
	CMD3	0.86		
Horizontal Communication	HC1	-0.78	0.84	0.74
	HC2	-0.93		
Vertical Communication	VC2	0.92	0.83	0.54
	VC3	0.71		
	VC4	0.55		
	VC6	0.75		
Exchange of Information with Buying Center	EIBC1	0.93	0.9	0.75
	EIBC2	0.84		
	EIBC3	0.82		

***** Fornell, Claes and David F. Larcker (1981), "Evaluating Structural Equation Models with Unobservable Variables and Measurement Errors," *Journal of Marketing Research*, 18 (2), 39-50



The details presented in Table-1, depict positive outcomes derived from confirmatory factor analysis. Except one item, all other factor loadings are recorded over 0.7. The Rho of Joreskog (Joreskog & Sorbom, 1988)^{*****}, was under the acceptable limit of 0.83 – 0.93 which is higher than the accepted standard (Nunnally, 1978). Convergent validity was substantiated as the average variance explained (AVE) was at least 0.54, which states that, more variance was explained in the variables related to the evaluated construct.

One standard for sufficient discriminant validity is correlation of the construct with its connected indicators (that is square root of the AVE) must be over the correlation amidst the construct and the other construct. The outcomes presented in Table-2, reveals discriminant validity wherein, all the diagonal elements are higher than off-diagonal elements present in the matching rows and columns.

Table 2: Discriminant Validity (Note: Bold Numbers on the Diagonal Show the Square Root of the AVE; Numbers below the Diagonal Represent Construct Correlations)

S.No	Constructs	1	2	3	4	5	6	7	8	9
1	Customer value	0.87								
2	Coordination	0.55	0.82							
3	Personalized Promotional Offers	0.76	0.44	0.81						
4	Role Formalization	0.37	0.60	0.40	0.83					
5	Transparency	0.52	0.41	0.50	0.30	0.85				
6	Capacity to make Decisions	0.35	0.35	0.40	0.28	0.42	0.84			
7	Horizontal communication	-0.39	-0.24	-0.46	-0.14	-0.26	-0.18	0.86		
8	Vertical communication	0.25	0.10	0.32	0.14	0.23	0.03	-0.37	0.73	
9	Exchange of information with buying center	0.37	0.37	0.38	0.25	0.28	0.41	-0.38	0.35	0.87

The structural model presents anticipative power of the variance explained (R^2) in the vital endogenous constructs of almost 63.8% for the construct ‘Customer Value’, 43.5% for ‘Coordination’ and 27.6% for the construct ‘Personalized Promotional Offers’ respectively. All in all the goodness of fit index cannot be presented, as the goal of PLS is anticipation of variance rather than the data fit. The Table-3 presents the standardized B1 parameter which depends on entire sample, and the standardized B2 parameter which is derived from the bootstrapping procedure. Distinctions amidst both the parameters are low, stating that estimations exhibit



stability. In relation to hypothesis, all parameters recorded positive scores. Standard deviations and t-values derived from bootstrapping procedure affirmed the significance of the hypotheses H1, H3, H5, H6 and H8. Two of the hypotheses H4 and H7 were insignificant.

Discussion & Ramifications

The query upheld by this empirical work was ‘Does KAM executive have any role to play in value creation to key accounts? If yes, how does KAM executive contribute towards the value creation process in prolonged business associations with the key customers? On the basis of qualitative study among the twenty KAM executives, eight driving forces of value creation were determined and were used in building a evaluative model relating to value creation and delivery for key accounts in KAM relationship setting.

The empirical study among the 102 KAM executives affirms the developed conceptual model and state that KAM executives have dual impact on customer value as per the following dimensions: a) KAM executives augment the organization’s ability in determining and delivering tailored solutions to key account. b) KAM executives align and channelize the organization’s efforts in such a way, the overall organization’s perception of level of coordination increases.

The path related to the H1 and H2 on the path diagram are found to be critical with the construct ‘Personalize Promotional Offers’ posing a stronger influence by recording the standardized path coefficient value of 0.65 over the value of the construct ‘Coordination’ which recorded the standardized path coefficient of 0.26. Put together they both substantiate almost 2/3rd of the value variance, which affirms that right drivers were identified and studied.

The question arises, what the KAM executives can do to augment the coordination and personalized promotional offers?

From the study it can be stated that, KAM executives can augment the degree and frequency of the horizontal communication (H3) amidst the supplier firm and the key account firms procurement departments. This construct is critically related to the variable ‘Personalized Promotional Offers’ with standardized path coefficient score of 0.34. This states that, KAM executives must enable the key account firm’s to have seamless access to the experts of supplier firm so that, whenever the key account firms need a specialized and specific help, they can obtain it on time with no delay. Another fact that can be identified from the study is that, the KAM executive’s attempt to understand the needs and wants of the key customers/buying centers (H5) also has a positive and significant influence by recording the standardized path coefficient score of 0.21. This reinforces the fact that, KAM executives must pay continuous visits to key account’s production sites in order to determine key customer’s needs and expectations of all the entities involved in their buying process, thereby, render required products, services more efficiently and efficiently than the competitors.

Stressing more on ‘vertical communication’ to influence the factor ‘personalized promotional offers’, does not appear to be a wise decision, as the standardized path coefficient value of 0.12 is insignificant at 5% level of significance. As expressed by one of the respondents during the qualitative study, vertical communication very often functions as affirmation of the commitment on



the part of supplier firm and has less or no role in the process of value creation that is, involving the top management in the process of communicating with the key accounts will reinforce KAM executive's message and signals the key accounts that the supplier firm's top management is committed to the promises made.

In order to augment the level of coordination, KAM executives can affect the extent of role formalization within their own organization (H6); the study affirmed this fact, as the standard path coefficients was recorded as 0.51. KAM executives can influence the level of role formalization by ensuring customer centric rules, regulations, roles and responsibilities. Efforts to augment the extent of transparency (H8) in their dealings are also identified as significant factors influencing the customer value creation process, with the standard path coefficient score of 0.22.

In order to amplify the transparency KAM executives must communicate to their key accounts regarding initiatives adopted to correct the prior mistakes. They must additionally render reports and documents which enable their key accounts to scrutinize in detail the capability, credibility and competitiveness of the supplier firm. On the other hand 'capacity to make decisions' (H7) was not found to be significant; by this we can learn that, in order to augment the level of coordination, there is a requirement of duo, namely formal authority and expertise which are essential for building (Lawrence & Lorsch, 1969). It is observed that, mere formal authority has no or very less influence on the level of coordination.

All in all, this empirical research affirms that, KAM executives play a vital role in creating, communicating and delivering superior value to key customers. This study revealed couple of primary driving forces and numerous secondary driving forces of value creation. In the management's purview, this study highlights certain value enhancing actions and activities that enable the KAM executives to augment the value delivery to strategically important customers. This paves the path to critically appraise the performance of the KAM executives and devise a pragmatic and structured compensation program. From the theoretical purview, this empirical research increases the understanding about the process of creating and delivering superior customer value to key accounts in pursuit of long-term business relationships. Moreover, this research bridges the gap in extant writings and unveils a realistic and rational approach to take up empirical research in small populations with limited or difficult access.

Limitations and Scope for Future Research

The first limitation is, this study was carried out with a small sample size. As the number of KAM executives working for any organization are limited in number, thus the surveying large group of KAM executives is literally not possible; therefore, we understood that, usage of statistical tools such as PLS or bootstrapping enable us to estimate complicated models even in smaller sized samples. The second limitation relates to the snowball sampling technique; according to (Chrchill, 1991) ⁺⁺⁺⁺⁺ generalization of the results is possible only in probability sampling techniques. For using probability sampling method, a complete list of population is required, which is not fulfilled in this case. In order to overcome this shortcoming, snowball sampling was used.

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Taking these points into consideration, we can state that future researches that can assess the generalizability of the outcomes are of top significance. On the other hand, few secondary driving forces of customer value in KAM relationships are not evaluated completely. Personalized promotional offers with less than 1/3 of variance explained, is a potential area for future research.

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Appendix

Scale Instrument used to collect information from key accounts of the supplier firm.

1-Strongly Disagree 2-Disagree 3-Neutral 4-Agree 5-Strongly Disagree

Construct	Item Description	Response [1-5]
Customer Value	According to you, what is the contribution of the KAM executives towards:	
	The competitiveness of your firm.	
	Reduction of cost in your firm.	
	Delivering upon the promises made in pursuit of business relationships	
Coordination	What is your opinion about the supplier firm with respect to:	
	Coordination decision making amongst different subsidiaries	
	Different functional units of the supplier firm work in coordination to assure best service and satisfaction to your firm.	
	The actions, communications and information sharing among different departments of the supplier firm are consistent in dealing with your firm (Key account)	
Personalized Promotional Offers	What is your opinion about the KAM executive from the supplier firm whom you deal with	
	The KAM executive from the supplier firm consults you while designing the promotional offers that suits your requirements	
	The KAM executive is proactive in identifying means for enhancing the business relationship	
	The KAM executive attempts to enforce standardized answers for different problems arising out of business relationship.	
	The KAM executive from the supplier firm has no intention to personalize the promotional offers as per your state needs.	
Role Formalization	What is your opinion about the involvement of employees from different functional departments of the supplier firm in the KAM team aimed at serving you (your firm)	
	The supplier firm has well formalized the duties and responsibilities of the KAM executives / KAM team to serve key accounts better	
	The supplier firm has well defined, detailed and written down roles/tasks of KAM executive / KAM team to serve the key	



	accounts	
	There exists no coordination amongst the employees from different departments of the supplier firm while serving a key account	
	There exists high employee turnover in the KAM team of the supplier firm and you are made to deal with new employee very often, which terminates the continuation in communication and KAM relationship.	
Transparency	What is your opinion about the KAM executive of the supplier firm whom you deal with, regarding the following aspects?	
	The KAM executive tries to be undisclosed (maintains secret) with respect to the strategies of the supplier firm in dealing with you (your firm).	
	The KAM executive tries to skip or escape from discussing about the weaknesses of the supplier firm that have potential to affect your firm.	
	• he tends to sidestep talk about the supplier's weaknesses (tran2, reverse	
	The KAM executive communicates the initiatives taken by the supplier firm which can augment your competitive advantage in the market place.	
	The KAM executive provides all necessary information and details that are needed by you to evaluate the supplier firm comprehensively.	
	The KAM executive communicates about the initiatives taken by the supplier firm to overcome the past mistakes and failures which can hinder the prolonged business associations.	
Capacity to Make Decisions	What is your opinion about the KAM executive / KAM team of the supplier firm, with respect to the following aspects of decision making?	
	The KAM executive never takes any decision without your consent	
	The senior management of the supplier's firm never consults you while making decisions that have potential to impact you	
	There exists no formal structure, authority, accountability among the KAM executives/KAM team of the supplier firm.	
Horizontal Communication	What is your opinion about the KAM executives about the following aspects:	
	The KAM executives provides seamless access to specialists of the supplier firm to get you're your problems resolved	
	The KAM executive allows the specialist	



	team from the supplier firm be in touch with you and provide solutions to the problems arising out of KAM relationship .	
	The KAM executive arranges the visits and meetings between different functional units of both the organizations	
	The KAM executive prefers face-to-face communication over the written communication among various departments of both the firms (supplier firm as well as key account firm)	
Vertical Communication	What is your opinion about the KAM executives about the following aspects:	
	The KAM executive encourages face-to-face communication over written communication between senior managements of both the firms.	
	The KAM executive arranges frequent meetings between top managements of both the companies	
	The KAM executive accompanies along with their top management whenever necessary while resolving the problems of KAM relationships.	
	The KAM executive bridges the gap between the top management of both the firms.	
	The KAM executive develops numerous touch points for top managers from both the firms to have seamless contact for developing stronger relationships	
	The KAM executive never hesitates to establish the communication between you and the supplier firm's top management while in KAM relationships	
Exchange of Information with the Buying Center	What is your opinion about the following aspects of the KAM executives you deal with from the supplier firm	
	The KAM executive comprehends well the requirements of all the individuals and departments involved in buying centre of your firm	
	The KAM executive pays frequent visits to your production facilities to better comprehend your needs and requirements	
	The KAM executive maintains contact only with the purchase of department of your firm, ignoring all other participants of the buying centre.	