

**Harri Terho, Turku School of Economics**  
**Dissertation abstract**  
**Customer portfolio management – The construct and performance**

Customer portfolio management (CPM) is an important area in theories of relationship marketing and customer relationship management. It focuses on the whole portfolio of customer relationships, from transactions to strategic partnerships and their management based on the value of the various customers to the selling company. The academic research so far has produced a wealth of conceptual knowledge about CPM in terms of proposing and testing a large number of relationship portfolio models. However, almost no empirical research about implementation of this concept in business or its effect on performance exists.

Consequently, the purpose of this research was to analyze companies' CPM practices and performance in business markets. More specifically, there were three more specific aims: 1) to conceptualize customer portfolio management in B-to-B settings, 2) to form and validate a measure for studying CPM practices in business, and 3) to study contextually the relationship between CPM practices and performance.

The dissertation builds on several streams of research, including theories of relationship marketing and customer relationship management, interaction and network theories, and theories of information processing and market orientation related to organizational learning.

A definition of CPM was developed by synthesizing theory-based and field-based views of CPM (a qualitative pilot study in seven firms) in order to reach an operational definition that would explicate CPM activities and allow the empirical study of the practices. Further, a CPM measure was formed and validated based on the operational definition, the 17 interviews, and the survey data of 500 largest B-to-B companies in Finland (N=212).

The quantitative part of the study examined the relationship between companies' customer portfolio management practices and performance in various business environments. The results indicate that CPM activities are connected to customer profitability and to overall customer performance but only weakly to firm performance. Further, the context formed by customer relationships was found to be pivotal from the perspective of portfolio management. Tailoring of the customer portfolio management style and activities to companies' context of exchange with their customers was found to be connected to performance,

In the research, the companies were divided into two distinct groups representing market- and network-like exchange contexts. The market-like exchange context is characterized by the large customer base size, more transactional customer relationships, and lower dependency on individual customers, higher customer turnover and heterogeneity of customer base. In network-like exchange context, on the other hand, the size of customer base is smaller, customer relationships are stronger, dependency on the largest customers is greater, customer turnover is lower and the customer base is more homogeneous.

In market-like exchange context, the challenges of customer relationship management are connected with the structure of the customer base. What is pivotal in customer analysis is the ability to compare and group customers on the basis of their value. From the perspective of performance, cost-effective treatment of customers is emphasized. At the same time, the formal planning and implementation of customer portfolio management improves its performance.

In a network-like exchange context, the challenges of management rest in the complexity of customer relationships and exchange as well as in the interdependency on such relationships. The analysis of individual customer relationships instead of customer grouping becomes the central factor for performance. Further, the development of customer relationships becomes pivotal to the performance of customer portfolio management. In other words, it is essential to make low-value customers more valuable, to develop worthwhile customer relationships, and in certain situations to give up bad relationships and to acquire new ones.

**Keywords:** Customer portfolio management, customer relationship management, exchange context, markets and networks, formative measurement, PLS modeling.