"Strategic Customer Portfolio Management in B2B Markets: Balancing Cost-to-Serve and Customer Value"

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ABSTRACT,
In today's competitive B2B marketplace, firms face the challenge of managing complex, high-value customer relationships efficiently. While Customer Portfolio Management (CPM) offers a strategic framework for segmenting and prioritizing customers based on value and cost-to-serve, its practical implementation remains inconsistent. This study explores how B2B firms utilize CPM models to segment and manage customer relationships, focusing on the challenges of balancing cost-to-serve with customer value. Through qualitative research, including semi-structured interviews with 27 B2B practitioners across industries, the study reveals that while CPM principles are widely recognized, their formal adoption is hindered by fragmented data systems, organizational misalignment, and cultural resistance, particularly from sales teams. Key findings highlight the importance of integrating financial metrics with relational factors like loyalty and strategic fit, as well as the need for cross-functional collaboration to operationalize CPM effectively. The study contributes to academic literature by bridging the gap between theoretical models and practical application, offering actionable insights for B2B firms to enhance segmentation accuracy, resource allocation, and long-term profitability. Limitations include the qualitative scope and self-reported data, suggesting avenues for future quantitative and cross-industry research.

AI statement
"During the preparation of this work, I (Orkhan Huseynov) used Chatgpt to formalize and improve the academic writing of the research. After using this tool/service, we thoroughly reviewed and edited the content as needed, taking full responsibility for the final outcome."

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Keywords

Customer Portfolio Management (CPM), B2B segmentation, cost-to-serve, customer value, ROI, resource allocation, qualitative research.

1. INTRODUCTION

In today's competitive and increasingly online, B2B marketplace, firms are faced with complex, high-value customer relationships with growing strategic sophistication. Unlike B2C scenarios, where differentiation is often rooted in large demographics databases, B2B firms have longer sales cycles, several decision-makers, and fewer—but more strategically relevant—customers (Kumar & Reinartz, 2018, pp. 329–362). This calls for more sophisticated models of customer segmentation that extend beyond simple categorization to enable real-time resource allocation and long-term relationship management.

Customer Portfolio Management (CPM) has emerged as a powerful framework for enabling companies to segment and prioritize customers based on current value and future opportunity. By value-tier segmentation of clients—that is, platinum, gold, silver, and bronze—CPM allows firms to suit their marketing, service, and sales better (Ryals, 2008, p. 1045; Reinartz, Krafft, & Hoyer, 2019, p. 211). This is because segmentation facilitates greater matching of internal assets with strategy objectives, particularly where firms attempt to balance revenue generation with efficiency in operations.

However, as powerful a concept as CPM is, its effective application in B2B contexts remains unbalanced. Predominantly, there are the problems of scattered customer data, poorly integrated CRM technology, and no obvious cost-to-serve measures—obstacles that stifle successful implementation (Storbacka, Polsa, & Sääksjärvi, 2012, pp. 517–520). Added to that, organizational coordination between marketing and sales functions typically ensures portfolio-based strategy execution steady, especially in organizations in which the customer value is not being kept under complete supervision.

Even with augmented research interest, CPM application in B2B markets stagnates empirically (Eggert, Ulaga, Frow, & Payne, 2020, p. 228; Terho, Eggert, Haas, & Ulaga, 2017, p. 159). Existing segmentation methods are inclined to heavily rely on financial metrics like sales volume or revenue and overlook intangible yet pivotal criteria such as loyalty, potential for innovation, and fit in a strategic context (Terho et al., 2012, p. 161). Narrow focus in such cases will most likely lead to inefficient customer management as well as missed opportunities for value co-creation.

At the same time, the trend towards digitalization and data-based decision-making requires firms to use more responsive and adaptive segmentation models. CPM, when used effectively, provides an adaptive approach that supports strategic planning for the longer term and tactical decisions in due time (Hartmann, Wieland, & Vargo, 2018, p. 94). CPM also complements value-based selling strategies such that firms can better determine where increased engagement and investment will pay dividends in the long term.

This thesis examines the usage of CPM models by B2B firms to segment and manage customer relationships, and examines the challenges of trading off cost-to-serve with customer value. Drawing on a qualitative research approach using interviews with B2B practitioners across industries, this research tries to uncover how CPM is applied in practice, how it compares with other segmentation techniques, and how constructs of loyalty, potential, and demand structure are used in strategic decisions.

Ultimately, this study returns both theoretically and practically: it bridges the gap between theoretical models and practice, and offers concrete advice to B2B businesses about how CPM can facilitate wiser segmentation, improved resource allocation, and improved relationships with customers.

1.1 Research Objective

While segmentation and data-driven marketing increasingly become more applicable in B2B markets, disciplined application of Customer Portfolio Management (CPM) models is still underutilized. While most B2B companies understand they need to identify and target profitable customers, far too many of their tactics are still based on conventional segmentation practices—largely sales volume or account size—rather than a more general consideration of customer value, strategic fit, and cost-to-serve.

Most of the available literature deals with traditional customer relationship management and customer lifetime value, with little emphasis placed on how CPM frameworks are applied within B2B environments to influence segmentation decisions. As a result, firms risk misallocating their resources by extending the same treatment to all customers or not identifying the long-term strategic potential of certain accounts. In addition, operational issues—like disparate data systems, quantifying cost-to-serve complexity, and a lack of alignment between marketing and sales departments—frequently sabotage the execution of CPM strategies (Storbacka et al., 2012, pp. 517–520; Reinartz et al., 2019, p. 211).

Therefore, the main objective of this research is to know how Customer Portfolio Management (CPM) models are employed by B2B companies for customer relationship segmentation and management and understand how they can address challenges in dealing with cost-to-serve against customer value. The study aims to know how CPM can contribute to better strategic segmentation, more efficient allocation of resources, and sustainable customer profitability in B2B settings.

This research also intends to examine how additional criteria—i.e., customer loyalty, demand characteristics, and growth opportunities—can be used for segmentation activities, beyond typical financial metrics. Further, it will assess how widely CPM practices are spread across companies and industries, and how corporations separate internally between customers at both group and unit levels.

Through the collection and analysis of qualitative data using semi-structured interviews with B2B experts across industries, this study aims to create practical knowledge into the proficient use of CPM in customer segmentation strategies. It contributes to academic literature on the strategic management of customers, while giving managerial insights into improving segmentation accuracy and customer portfolio performance for B2B firms.

1.2 Research Problem

In the B2B market, companies are beginning to understand that they need to segment customers not by the traditional measures of size or revenue, but also by strategic importance and cost to serve.. Yet many companies are continuing to use relatively simple, old, and maximum-level segmentation approaches and models that do not represent their customer base real complexity, diversity, and segmentation opportunities. When this happens, it means that valuable manager time, sales resources, and service efforts may be wasted or misplaced—and the firm can reduce long-term profitability.

Customer Portfolio Management (CPM) allows B2B firms to have an amazing dynamic and value-based approach to segment customers in terms of current contribution, future potential, and cost to serve. Even though CPM is a straightforward strategic opportunity, many firms still do not implement CPM. Some of the issues that B2B companies experience internally- such as broken data, lack of cross-functionality, or not being able to define a metric or a value for the customer- can impede the use of CPM as a practice (Reinartz et al., 2019, p. 211; Ryals, 2008, p. 1045).

At the same time, academic literature on CPM in B2B markets is scant with the bulk of that academic effort focusing on theoretical models, customer acquisition and retention. There is little in the way of empirical knowledge on how B2B firms actually implement CPM frameworks in practice or combine dimensions such as cost-to-serve, customer loyalty and growth prospect into their segmentation strategies (Eggert et al., 2020, p. 228; Terho et al., 2017, p. 159).

In order to provide clarity here, this thesis is guided by the following research question:

How do B2B firms utilize Customer Portfolio Management (CPM) models to segment and manage customer relationships, and what challenges do they face in balancing cost-to-serve with customer value?"

The intention here is to examine how CPM is implemented in practice, within real-world B2B environments and achieve where firms are challenged, and the critical barriers and success factors they experience when developing successful segments and a customer portfolio that adds value to their firms.

This research question is important both academically and in practice. Academically, it represents an area within B2B segmentation literature that has yet to receive emphasis, specifically in Customer Portfolio Management, shifting the research view from broad customer retention strategies to value-based portfolio strategies which account for cost-to-serve, loyalty, and strategic fit. In practice, the goal of these findings is to assist B2B managers in increasing accuracy in their segmentation and resource allocation strategy, through real-world understanding of the power of CPM to balance customer value against operational efficiency, to drive sustainable long-term profitability and to make more informed strategic decisions.

1.3 Sub-questions

To guide this research the following sub-questios are proposed:

- How do firms differentiate between individual customers or customer groups?
- How are Customer Portfolio Management (CPM) models applied to support segmentation and customer management?
- How do CPM-based segmentation practices compare across different companies or industries?
- What additional criteria, such as customer loyalty, demand nature, or cost-benefit ratios are considered in CPM-based segmentation decisions?
- What key challenges do firms face in balancing cost-to-serve with customer value when managing their customer portfolios?

2. THEORETICAL FRAMEWORK

The theoretical framework provides a platform for understanding the mechanisms whereby Customer Portfolio Management (CPM) model can facilitate segmentation and customer relationship strategy in B2B firms. The framework is organized around five interdependent themes that each provide a theoretical domain relative to the research question:

"How do B2B firms apply CPM models to segment and manage their customer relationships and what challenges do they face to achieve a balance of cost-to-serve with customer value?"

In addition, the framework includes supporting concepts including data-driven insights, cost-to-serve analysis, and cross-functional learning, which are key to the application and operationalization of CPM in organizational and real-world business contexts.

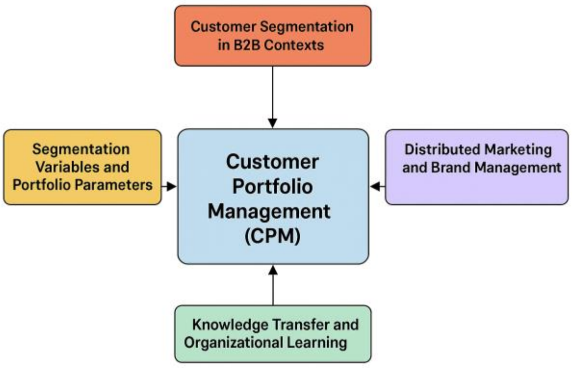

Figure 1: Theoretical Framework Model illustrating the key constructs surrounding CPM and its strategic application in B2B segmentation.

2.1 Customer Segmentation in B2B context

B2B segmentation entails different issues than B2C segmentation; while demographic or psychographic variables aplenty to segment B2C clients, segmentation in B2B must deal with the complexity of organizational buying behaviour. The comparison between B2B, and B2C segments is reliable because B2B deals with a smaller number of customers with higher value, multi-tier decision-making units, and lasting transactional relationships (Kumar & Reinartz, 2018, pp. 329–362). Therefore, acceptable B2B segmentation needs to be dynamic - including firmographics (industry, company size, geographic area), transaction factors (purchase frequency, order customization), and relational elements (trust, level of cooperation). Most firms typically default to simple segmentation models, where customers are segmented based on revenue tiers, while also disregarding certain other strategic issues, like growth potential, innovation capabilities, and follow seasonality issues in the supply chain (Homburg et al., 2016, p.34). A limitation of segmentation implicitly calls for a sophisticated process; in other words, a dynamic system that leads to the adoption of Customer Portfolio Management (CPM) instead of simple agile segmentation.

2.2 Customer Portfolio Management

The CPM concept goes further than traditional segmentation methodologies. It treats customers as portfolio investments and emphasizes how firms must manage the trade-offs between short-term profits against long-term equity in relationships (Ryals, 2008, p.1045). CPM categorizes customers into tiers, for example, Platinum, Gold, Silver, and Bronze, based on not just current revenue but also current and projected (CLV), the cost-to-serve, and alignment with strategy (Reinartz et al., 2019, p.211). The distinguishing point of CPM over traditional segmentation methods is that CPM provides a philosophy around resource allocation, where marketing, sales, and service activity is unevenly distributed to customers based on customer segments relative to their contribution to the firm's portfolio. For example, a high-potential account (low current revenue) that was heavily investing in innovation collaboration or was creating opportunities for expansion of market opportunities may become a focus of disproportionate resource commitment (Storbacka et al., 2012, pp. 517-520). On the other hand, high-maintenance clients with declining returns may become deprioritized or transitioned into a service mode that has a lower cost model. This reflects the strategic element of CPM, which is closely aligned with the study's exploration of firms that ignore transactional metrics to maximize customer value over the long term.

2.3 Segmentation Variables & Portfolio Paramenters

For CPM to be actionable, companies will need to carefully decide and weigh a multi-level set of segmentation variables. Yes, financial and quantitative metrics continue to focus on the core dimensions of the business (e.g., revenue, profit, order volume), but these variables alone are insufficient. The evolving nature of modelling means that it is more common to include cost-focused variables (e.g., account management costs, complexity of overall logistics), behavioural variables (e.g., renewals, cross-buy behaviour), and strategic dimensions (co-development potential, brand alignment) in more contemporary CPM models (Terho et al., 2017, p.159). Relational variables such as trust and the extent of communication can further hone down portfolio categories, especially when value is primarily delivered through long-term relationships and partnerships. Therefore, this raises the question of how much subjectivity can be introduced to an objective account of data. Whilst data can indicate an account is underperforming, a less tangible reason to keep the account may present due to the perceived strategic importance of that account; therefore, we need to also take the subjective nature into account! This illustrates the potential to use frameworks like ours and capture a combination of objective and subjective inputs, which is a focus for this study around the classification criteria in CPM models

2.4 Econometric Modelling and Data-Driven Insights

The advent of sophisticated analytics has quickly turned CPM from a static exercise of classification, into a dynamic and predictive practice. Organizations use econometrics models — for example, regression based CLV forecasting; churn prediction algorithms; and decision tree analysis — to analyze the portfolio and direct budget/resource allocation more appropriately (Eggert et al., 2020, p.228). Recent examples of how this works include using machine learning to establish "risk" accounts that show signs of early warning (e.g. decreasing engagement; slow paying) that could allow companies to take preemptive measures to regain retention. Sometimes CPM analytics fall short due to organizational barriers around data speed and fragmentation (e.g. siloed client & enterprise resource planning systems), technical skills gaps, and sales-centric company culture that focus on intuitively managing customer accounts opposed to controlling them (Reinartz et al., 2019, p.211). This study examines the technical capabilities of CPM analytics as well as address culture and structural issues into operationally deploying those analytics.

2.5 Distributed Marketing and Brand Management

In multinational B2B organizations, CPM strategies must contend with the trade-offs that take place between global consistency and local adaptation. On the one hand, central or global frameworks established and maintained by the corporate identity will maximize consistency and uniformity when it comes to customer tiering and customer brand positioning. On the other hand, while owning its own markets, regional subsidiaries have their own differing motivations to request flexibility to consider market characteristics, such as competitive dynamics or customer expectations (Homburg et al., 2016, p.34). Typically, distributed marketing models seek to address this problem by giving a central corporate layer augmented control of core CPM principles while allowing the localized of the execution. For example, a "Platinum" customer in North America may receive dedicated technical support, while the same "Platinum" customer in an emerging market may want to consider pricing flexibility. However, without adequate governance, such decentralization could lead to non-conformance across a portfolio of customers creating misalignment, where conflicting regional-based practices result in global disprofitability. In the context of the framework component of this study, this section explores the degree to which firms consider standardization and localization - an important aspect of answering the study's sub-question regarding cross-industry CPM practices.

2.6 Knowledge Transfer & Organizational Learning

The sustainability of CPM depends on organizational learning mechanisms that help to refine portfolio strategies over time. Effective CPM requires the integration of contributions from various functions of the organization, including those from sales, marketing, and customer service into the portfolio evaluation process. For example, feedback from customers on satisfaction levels can lead to a revelation that the actual CLV contradicts projections, ultimately leading to a different tiering criteria regarding CLV. The role of leadership is critical for embedding CPM into corporate culture by altering incentive systems that are largely based on meeting short-term sales targets instead of establishing long-term relationships and equipping teams to make data driven decisions. If a company understands that CPM is an iterative, flexible process, they will be better off to adapt to lost sales due to new competitors or innovations in their product/service offerings. The final area of the framework examines the report's concern with internal collaboration and its role in enacting CPM.

2.7 Customer Portfolio Models in B2B Strategy

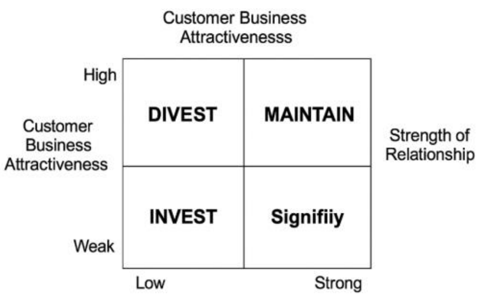

Figure 2. Fiocca's (1982) two-step customer segmentation matrix.

The major element of Customer Portfolio Management (CPM) is the systematic segmentation and categorization of customers by quantitative and qualitative desirability. A number of portfolio models have been developed to assist firms with a structured approach to managing B2B relationships. Such portfolio models are especially relevant for industrial markets due to the many complexities associated with the buying unit's decision-making, strategic importance of customers to the supplier firm, and long-term orientation of relationships, which contrasts with the dynamics of B2C markets. This section summarizes the contributions of Fiocca (1982), Bensaou (1999), McDonald et al. (1997), Sapiro (1981), and Curry & Curry (2000) all of which provide structured approaches to segmenting customers and thus a framework for guiding strategy to prioritize action and allocate resources.

Among the most relevant contributions is Fiocca's (1982) two-step Customer Attractiveness Model, which proposed a two-step proposal to induce a context-specific (B2B) model. In the first step of this customer attractiveness approach, Fiocca suggests assessing strategic importance - typically calculated by examining purchase volume, growth potential, and influence in the market - and the effort required to manage the account, specifically includes complexity, power balance, and market pressures. This results in a two-by-two matrix that classifies customers as Key/Easy, Key/Difficult, Non-Key/Easy, or Non-Key/Difficult, identifying those that deserve further consideration (Fiocca, 1982, pp. 56–58).

Fiocca then provides a more comprehensive nine-cell matrix that studies two important dimensions: the attractiveness of the customer business (for example, financial position, growth trend, and market given), and the strength of the seller–buyer relationship (for instance, loyalty, intensity of communications, and shared history of collaboration). Depending on their position in the matrix, customers receive an umbrella classification along one of three strategic actions: invest (high attractiveness weak relationship), maintain (stable or strategic), and divest (low value and high costs). Because Fiocca's model provides both objective and relational dimensions of B2B customer interactions, it better provides a structural and practical foundation for CPM based segmentation logic (Fiocca, 1982, pp. 59–61).

Alongside Fiocca's work is that of Bensaou (1999) who created a relationship portfolio matrix, which was developed to understand the key dimensions of supplier management, but provides an equally relevant discussion for customer relationship segmentation. Bensaou's model considers customer relationships in terms of their asset specificity and the degree of market uncertainty, which categorizes them into four relationship types: strategic partnerships, captive suppliers, market exchanges, and captive buyers. This framework provides B2B firms with an ability to assess relationship risk, dependence, and resource needs—critical considerations for how (or if) to serve different segments of a customer's relationship portfolio.

Another major framework is McDonald, Millman and Rogers (1997) model of Key Account Management (KAM), which sees customers as two-dimensional constructs (i.e., two variables of interest): potential profitability and relationship potential. They categorize customers based on strategic accounts-different from non-strategic accounts-who need dedicated time and effort as opposed to limited and transactional in these accounts acquired from the market. McDonald's model is most useful for firms that have only a few (up to ten) high-value customers as it helps them balance their retention strategies with acquisition-oriented strategies as part of their allocation of time and resources.

Sapiro's (1981) strategic account model shifts the lens toward identifying customers that, although not profitable today, may offer future strategic value due to their market influence or innovation capability. This model encourages firms to look beyond immediate returns and invest in nurturing relationships with strategically important but currently low-yield accounts—a logic echoed in more recent formulations of Customer Lifetime Value and relationship quality theory.

Curry and Curry (2000) suggested a multi-step customer portfolio analysis process that combines value segmentation with organizational behavior. Their model emphasized the notion of looking at financial contributions as well as behavior variables (e.g. service compliance, interactions with employees), which allowed firms to derive appropriate strategic direction for engagement with customers. Their model also highlighted the need to balance hard data with managerial judgment, especially where CRM systems were not yet being employed, or customer data remained fragmented.

By bringing all of the different models together, they enhance the theoretical dimensions of CPM. Fiocca's matrix fits the characteristics of the new B2B marketplace, where firms need to consider relationship strength in conjunction with strategic fit in making segmentation decision; the models of Bensaou and Sapiro lend a relational, strategic perspective by considering the longer term viability of partnerships; while McDonald et al. and Curry and Curry help to make CPM operationally possible through measurable financial and behavioral indicators.

Within the context of this research, models like these have immense practical value for B2B firms attempting to implement dynamic strategies of their own in a way that is sensitive to the relationship with each customer. They represent the principal objective of CPM across B2B firms: to make better decisions about resource allocation, to avoid committing too much to clients that are not providing or will not provide a suitable return on investment and to align their marketing or selling activities with the customer that is creating value. These models are important, in effect, not only to the better management of profitability by B2B firms, but also to create a portfolio of customers that offers a sustainable competitive position (Kumar & Reinartz, 2016, pp. 329–362; Ryals, 2012, p. 1045).

3. RESEARCH DESIGN

3.1 Research Methodology

The research utilizes a qualitative methodology that is ideal for exploring the complex and strategic decision-making process regarding the implementation of CPM in B2B situations. Kumar (2018, p.5) makes a compelling case for the qualitative approach, stating that qualitative methods also serve as significant advantages when examining complex phenomena where financial indicators (e.g., CLV calculations) relate to operating principles (e.g., cost-to-serve calculations), and organisations (e.g, firm size, an organisational culture). The qualitative approach "allows you to explore layered meaning" which is often missed when thinking quantitatively, particularly when exploring why and how firms choose CPM options, rather than measuring the count of degrees of certain behaviours, or their frequency of engagement with certain practices.

Data collection for the research was conducted using semi-structured interviews with existing and former professionals in strategic roles in B2B firms throughout Europe. The semi-structured (but not completely structured) interview process was specifically selected to achieve a balance between comparatively meaningfully about research "topics" through fieldwork yet allowing flexibility during to explore unanticipated, but also relevant themes that possibly may have emerged. The interview guide was designed around the key themes of the theoretical framework and sub-questions, focusing on areas such as:

- Criteria used to segment customers in B2B environments
- The design and execution of CPM models
- Cost-to-serve analysis and value tiering
- Use of the CRM systems and analytical tools
- Cross-departmental alignment and decision making
- Advantages and disadvantages of applying the CPM logic in practice

The interviews were conducted using a conversational tone to allow for deep exploration and the spontaneous emergence of insights. Within the interviews, some additional follow-up questions were also asked for better understanding and analysis of the data.

3.2 Data Sampling

The research used purposive sampling to identify participants who would provide rich and contextualized understandings of CPM practices in B2B organizations (Etikan et al., 2016, pp. 1-4). The selection criteria aimed to capture individuals professionally involved with customer segmentation, customer portfolio management, or strategic decision-making, which permitted respondents to speak authoritatively to the research questions.

Key inclusion criteria of the respondents include:

- Experience in the B2B sales, marketing, HR, customer analytics, or key account management
- Direct involvement in segmentation-related processes, CRM system use, or portfolio strategy
- Employment within firms characterized by complex, value-differentiated customer bases

The chosen participants spanned multiple industries across a spectrum of functions (logistics, manufacturing, IT services and wholesale distribution) to obtain different perspectives and different practices, thus adding to the transferability of the results. By including a balanced range of roles - e.g., Marketing Managers, Key Account leaders, and Strategy Analysts - the results provided a multi-faceted view of the role of CPM and how it is implemented and perceived across departments.

3.3 Data Collection

Data were gathered using semi-structured interviews that took place over a span of several weeks. Semi-structured interviews were an appropriate choice because they are effective in allowing participants to discuss their ideas and views in some detail, whilst enabling a degree of consistency between interviews (Kumar & Reinartz, 2016, pp.12-15). Semi-structured interviews were relevant in light of CPM's focus on combining structured strategy with subjective assessment (e.g., loyalty, alignment, potential); they provided a pathway to explore both formal models and informal decision-making.

Interviews occurred through remote audio- and video-conferencing tools such as Microsoft Teams or Zoom, because of geographic distribution and scheduling preferences of the participants (i.e. all over the world). In some cases, additional follow-up clarification occurred by email, and/or is short follow-up conversations at the end of the interview. The video-recording setting enabled people to speak comfortably from familiar and less routine work settings (i.e., participants were sitting at a desk in their own space), which further aided the reliability and authenticity of their response. As much as possible, individual interviews took place rather than paired interviews, to further minimize distractions to their time and efforts, and to promote confidentiality.

Before each interview, participants were given a short introduction to the research objectives, stressing the academic nature of the project, that participation was voluntary, and that their responses would be anonymised. Participants were given and signed a standard informed consent form, in keeping with research ethics guidelines. This consent allowed for the use of audio recordings, specifically for transcription and analytical purposes.

Each interview lasted between 30 and 60 minutes, depending on the depth of the discussion and the particular role of the participant. Interviews were within a relatively structured question set, created from the research sub-questions.

Although we tried to standardize the interviews so that we could easily compare them to one another, we retained the flexibility in our interviews so that we could follow topics specific to the roles and industries, as well as any new or unexpected topics. This flexibility was useful in highlighting emergent themes from the interviews, including the internal resistance to changing segmentation, the limitations of CRM systems, and reliance on informal decision-making in the absences of data quality.

All interviews were recorded with explicit permission, then later transcribed verbatim to fully depict the dialogue as it had occurred. Anonymization of the transcriptions was conducted at this time to remove any mention of the company name, names of individuals, or any commercially sensitive information.

Once transcribed, the interview data was brought into Atlas.ti, a qualitative analysis software tool capable of assisting in coding and thematic analysis. Supporting this analysis were two complementary tools:

A structured quote matrix which categorized key respondent quotes to be thematically coded.

A keyword frequency list which the researcher generated during the coding process to document terms and concepts that arose frequently across the interviews.

These analytic tools were helpful in systematically linking the raw data to the sub-questions and theoretical framework developed earlier in the thesis. The primary transcripts along with supporting analysis documents ensured traceability and transparency in the analytical process and laid the groundwork for the findings in the chapter that follows

3.4 Data Analysis

To conduct a thorough, systematic analysis of the qualitative data from the interviews, this study adopted a thematic analysis approach. Braun and Clarke (2006, pp.78-94) defined thematic analysis as a method that identifies, analyzes, and organizes "themes" or patterns within the qualitative data content. This data may take on many forms, and topical analysis is well suited to qualitative, exploratory research, where the intention is simply to capture the meaning of and tell stories from different viewpoints. Thematic analysis allows for a rigorous and flexible interpretation of interview data without confining itself to a single theoretical framework.

Given the qualitative and exploratory nature of the study and the semi-structured interview dialogue involved, all interviews were recorded (with the participants' informed consent) and transcribed verbatim to create a secure, document-based, and presentable written record on which to base the analysis. The first step in analysing the transcripts was to transcribe the audio data into written form for analysis. The entire transcribed document was imported into qualitative analysis software (Atlas.ti) which was used to code, group, and view the interview data from a theoretical and analytic perspective. The Atlas.ti program allowed me to cut and paste a detailed segment from the transcript, search for coding keywords, and identify patterns across different interviews.
The analysis first involved open coding, where each transcript was read, line-by-line, to find sections that had potentially relevant knowledge. Every segment of the transcript that discussed information relevant to the research questions, either explicitly or implicitly, was given a descriptive code. This process of analysis had both a theoretical approach (e.g., segmentation models, CPM theory, cost-to-serve ideas) and a reflective approach from the interviews themselves. Codes included, for example, "customer tiering," "CRM challenges," "strategic alignment," and "sales pushback."

This being the first time through the transcripts, the codes were then organized into themes to capture the larger stories in the data. The categorization of the data into themes was an iterative process, where all interviews were initially coded together, and as more interviews were coded we better identified themes and reframed existing ideas with new information. For example, codes related to segmentation logic such as "volume-based groupings," "length of relationship," and "growth orientation" were collated under a theme labelled Segmentation Criteria. Similarly, codes relating to friction across departments or technology-led constraints were grouped under Organizational Challenges in CPM Implementation.

In addition to the coding, specific quotes for each interview were pulled to exemplify some of the key ideas or attitudes that were articulated by the respondents. All the quotes were placed into a quote matrix that was organized by theme and sub-theme. The quote matrix was useful for making comparisons across interviews as well as ensuring that the researcher could clearly see which coded themes related back to the words from the participants. The researcher also tracked key words and frequently occurring phrases to illustrate commonly recurring terms and ideas when it was appropriate.

The Atlas.ti program navigated both the co-occurrence analysis (i.e., which codes tend to occur together) and the breakout of themes across respondents from distinct industries or roles. This afforded opportunities for the research to maintain analytical fidelity while also identifying cross-case variations.

The last step in the analysis consisted of going through all coded data within each theme and relating those patterns to the sub-research questions and literature. This provided assurance that the findings, while grounded in a set of empirical evidence, would make conceptual sense. The interest was in understanding not just what companies are doing with CPM but how these practices are interpreted, contested and influenced by internal and external factors.

This systematic process yielded the structure for the following Results chapter where each identified theme is elaborated further; supported with selected quotes and linked with the theoretical framework and research aims.

4. RESULTS

The results of this qualitative research project of 27 individuals across several B2B industries provide insight into how Customer Portfolio Management (CPM) is understood and executed in contemporary markets. Only a small proportion of firms overtly referenced "Customer Portfolio Management," and all interviewees referenced decision-making models, resource allocation models, and segmentation that exhibited CPM principles in practice. Most firms have internal systems, these systems were either formal dashboards or spreadsheet-based models, which placed clients in tiers, often visible in three segments: top 20% of sales (figures), or most growth potential (metrics), or that of strategic relevance. Generally, these segmentations inform internal conversations about key accounts or the prioritization of investment, or provide a path for longer-term planning. Respondents generally stated that while CPM was rarely standardized or automated, and most frequently represents a formalization of practice, there is a grounding to the CPM approach in commercial planning. As one respondent said, “We do have a sort of classification—we track key metrics like revenue, order size, and region, and then rank them. It’s not called CPM here, but that’s essentially what it is” (i13). This aligns closely with Ryals’ (2008, p. 1045) observation that many firms implement customer portfolio thinking without formalizing it into a dedicated model. This informal approach was especially evident in smaller or more agile firms, which may lack centralized CRM systems but still perform regular account reviews based on portfolio logic.

4.1 Strategic Role and Benefits of CPM Thinking

Table 1

Segmentation Dimension	Explanation/Usage	Illustrative interview quote
Financial Value (ROI, revenue)	Revenue contribution and ROI are most common criteria for customer ranking.	“We assess their revenue history and margin contribution.” (i9)
Customer Loyalty & Engagement	Loyalty includes both monetary and non-monetary contributions (e.g., feedback, brand advocacy).	“Some clients join pilots, provide insights — that’s real value.” (i16)
Growth Potential	Customers with high growth forecasts are prioritized despite lower current value.	“If we see potential, we invest in them early.” (i18)
Geographic or Industry Factors	Segmentation sometimes depends on market region or sector to tailor offers or compliance.	“Our approach varies by region and industry size.” (i4)
Size & Operational Complexity	Larger clients or those requiring complex service setups are segmented differently.	“Bigger firms require more customization, so we assign more resources.” (i5)
Cost-to-Serve (Estimated)	Though rarely tracked precisely, effort and service burden are often estimated and factored in.	“It’s not formal, but we know which clients demand the most attention.” (i14)

Table 1 presents an overview of the most commonly mentioned criteria used by B2B firms to segment their customer base, as reported during the interviews. The segmentation dimensions reflect both formal and informal variables, ranging from revenue and profitability to loyalty and strategic alignment. Each row includes an explanation of how the criterion is typically used, alongside an illustrative quote from an interviewee. These criteria emerged across multiple interviews and provide insight into the operational and strategic logic that guides portfolio construction in practice.

A key aspect to emerge in the analysis involved the strategic value of CPM principles in the relational decision-making process. Interviewees identified that segmentation enables firms to make better, faster decisions regarding customer prioritization, resource allocation, and service levels. Many of the study participants shared how thinking of their account portfolio allowed them to redirect attention to a set of higher value accounts, mitigate overinvestment in value-reducing customers, and organize their commercial teams more efficiently. A senior commercial lead explained, “You can’t treat all clients equally. Some bring much more value than others—and CPM thinking helps us figure out who deserves more of our attention” (i9). Similarly, another respondent emphasized that their team “avoids wasting time on low-value accounts that cost more to serve than they bring in” (i21). These quotes indicate how studied firms believed CPM could elevate not only internal efficiency but also safeguard margins and enhance customer experience. Financial metrics - in particular, profitability and ROI consideration - are key drivers of this reasoning. They also discovered that organizations are using a broader set of variables in their segmentation models, in addition to just revenue and cost characteristics. Size, sector, geography, growth potential were some of the many criteria identified. It is worth noting that most companies also acknowledged non-monetary value drivers, the most notable being brand alignment with product portfolio, feedback quality from users, and customer loyalty characteristics. These behaviors reflect a much broader definition of customer value that is less focused on monetary value and more centred on relationship quality. One respondent highlighted, "Some customers don’t order the most, but they give us feedback, take advantage of pilots, and help product teams develop new products. That’s value" (i16) which suggests a good fit with Gounaris' (2010, p. 143) definition of Loyalty in the context of B2B markets as a combination of behavioral consistency and strategic partnership.

4.2 Practical Challenges in Measuring Customer Profitability

Table 2

Theme	Observed Practice / Insight	Illustrative Interview Quote
Resource Allocation	Firms use CPM logic to direct time, service, and personnel to high-value customers.	“We avoid wasting time on customers that aren’t strategic.” (i21)
Relationship Prioritization	High-tier clients receive better access, faster service, and personalized support.	“Key accounts always get first-in-line service and more frequent updates.” (i12)
Data and System Limitations	Lack of CRM-finance integration prevents reliable profitability and CTS analysis.	We can’t track service costs across departments; it’s mostly estimates.” (i4)
Organizational Resistance	Sales teams are sometimes hesitant to follow segmentation rules or “customer ranking.”	“Some reps push back—segmentation feels too rigid to them.” (i6)
Evolving Models	Many companies update their segmentation regularly due to shifting customer needs and external factors.	“We revise our customer tiers every six months based on new priorities.” (i20)
Informal Practices	CPM is often applied intuitively or unofficially even	“We don’t call it CPM, but we definitely act according to its principles.” (i13)

	without formal models.	

Table 2 summarizes the strategic benefits and organizational challenges associated with Customer Portfolio Management (CPM) as experienced by the interviewed firms. While respondents broadly acknowledged the value of CPM logic in guiding decision-making and optimizing customer relationships, many also reported significant barriers to its effective implementation. The table contrasts these two sides by categorizing key themes under "benefits" and "barriers," supported by real-world examples and quotes. This table highlights the tension between theoretical adoption of CPM and the realities of organizational, cultural, and technical constraints.

Despite increasing attention on customer lifetime value and relational loyalty, many firms still struggle with operationalization and measurement, and figuring out how to incorporate this insight into formalized models. A common theme observed during the interviews was the limited adoption of cost-to-serve (CTS) metrics. Nearly all respondents agreed that service costs differ for clients and should play a role in segmentation models. However, few firms collect this data consistently or in a way that can be used to make decisions based on it. Several interviewees suggested that CTS estimates are based on instinct or gut feel rather than quantitative or objective assessments, particularly in organizations where the customer relationship management (CRM) system isn't integrated with finance and operations. One participant commented, “The cost side is hard. We kind of estimate it based on effort and team hours, but it’s not exact—it’s more of a feeling based on experience” (i14). Another participant provided a similar assessment: “We’d like to include the cost of service, but we don’t have the data. It’s too fragmented across departments” (i4). These practical limitations are similar to the observations made by Karacan et al. (2021, p. 228) who argue that firms struggle to utilize cost analysis to inform segmentation due to internal silos and incompatible data structures. Some large organizations have attempted to assign internal costs associated with service tickets, delivery customizations, or onboarding time, but this is still very rare and tends to be piloting rather than scaling. Even customer loyalty, which accounts executives and organizations highly value, is typically evaluated around the opinion of key account managers without much formal measurement. As one marketing manager opined, "I can’t deny that loyalty is important, but we can’t measure it very well - it exists mostly in the heads of our key account managers (i7)." This further demonstrates the tension between strategic intention and operational readiness for the implementation of CPM.

4.3 Organizational Barriers to CPM Implementation

Finally, the study discovered a variety of organizational and technical barriers that inhibited full usage of CPM across the organization. Most firms have fractured data infrastructures that limit the integration of financial, operational, or behavioral statistics into a single customer view. The absence of a shared ownership of segmentation models led to the inconsistent use of the models in business units. Several respondents talked about internal misalignment having occurred between sales, marketing, and finance in terms of either isolation regarding KPIs or resource adequacy impacting a successful deployment of CPM tools. Cultural resistance also stood out as a fairly common theme in the results. In particular, sales teams tend to view segmentation models as provincial, fearing that they limit flexibility or client autonomy. As one sales director stated, "We are on board with segmentation, but salespeople think it limits them - they want flexibility, not a model to tell them how to rank clients" (i6). This barrier is not just a technical barrier, but a strategic barrier as it represents salient differences in the ways commercial roles perceive customer relationships. The academic literature on this subject backs up this claim. For example, Hartmann et al. (2018, p. 94) argue that effective segmentation requires cross-functional buy-in as well as organizational alignment to support systems and data. Even within the most sophisticated CPM processes, in the absence of these crucial enablers, firms cannot realize the intended strategic value of CPM. Overall, the results suggest that while B2B firms increasingly understand the importance of portfolio thinking, full adoption of CPM frameworks is still limited by infrastructural, cultural, and capability gaps. However, it appears that many firms are at least beginning to head in the direction of more formalized, value-based customer management.

5. DISCUSSION

This chapter of the thesis interprets the key findings from the results in relation to the theoretical framework and existing academic literature. It discusses how Customer Portfolio Management (CPM) is conceptualized and applied in B2B environments, the factors influencing segmentation logic, and the challenges that firms face in implementing CPM frameworks. Structurally, the discussion is organized into four main parts: (1) the alignment of theory and practice in the use of CPM, (2) the segmentation variables used and their strategic implications, (3) the organizational barriers to CPM implementation, and (4) a reflection on how the findings answer the research question.

5.1 Alignment Between Theory and Practice

The results suggest strong alignment between the theoretical roots of CPM and the segmentation and relationship management of B2B firms in practice, despite the firms not necessarily utilizing the CPM framework and terminology. Respondents in multiple industries reported that customer categorization (or segmentation), resource allocation (e.g., what % of resources to a customer), and tiers of accounts is widely present in their approaches to commercial management (i1, i4, i9, i20). Although the respondents may use variation on the terminology (i.e. some call it key account segmentation or client ranking or internally prioritizing clients), the functional purpose was consistent: to distinguish among customers according to value, so that the firm could allocate company resources appropriately (i2, i7, i15). As one interviewee put it: "A-customer always gets priority. C-customers are basically customers we don’t have 'fun' with, who don’t pay well or pay less, etc."

This real-world fit provides credibility to Ryals’ (2008, p.1045) argument that while the literature and practice on CPM are heterogeneous and varied, the logic of CPM is embedded in B2B relationship management. Kumar and Reinartz (2016, p. 41) suggest that organizations which segment customers based on value are often able to enjoy enhanced performance benefits from customer relationship practices without regards to formalizing a CPM into a system. The participants in this study spoke of measuring account health through periodic account review process; a system of customer scoring (i9, i12, i20); and discussions around strategic or focus portfolios to help to define intensity of relationships to plan for into further new investments (i6, i21). One participant stated: “We track segmentation profile, industry vertical, specific modules used, and product version in Salesforce to identify upsell or cross-sell opportunities” In this sense, the thinking around CPM is being turned into practice through adaptive, organization-relevant mechanisms which further underpins Thakur and Workman's (2016, p.412) assertion that CPM serves as a flexible organizing framework adaptable to specific company constraints.

Interestingly, several companies commented they find themselves in an evolving state of mid-maturity, or going from an informal, intuitive segmentation model toward a more structured, data-driven segmentation model (i5, i8, i27, i30). As one respondent reflected: “We are now also working on cross selling lists… what services are being purchased from that customer. And whether more services could be added.” The hybrid state suggests companies are developing an appreciation for portfolio-based thinking and an intention to develop it more formally over time. However, maturity and pace of transition is based on a number of internal and external variables like digital readiness, industry volatility, and leadership commitment (i6, i18, i23).

5.2 Segmentation Criteria and Strategic Implications

The segmentation variables examined in this study broadly affirm the theoretical constructs highlighted in the literature. Firms rely on not only direct financial indicators (revenue, ROI, margin), but also indirect elements such as customer loyalty, customer feedback contribution, and growth potential. These findings confirm the multi-dimensionality of customer value articulated by Johnson and Selnes (2005, pp. 83–84) and also suggested in Hennig-Thurau et al.'s (2002, p. 242) relationship quality model. The iteration of both financial and non-financial criteria in answers from the interviews (i4, i9, i16, i18, i25) show that customer value is not simply a fixed measurement; rather, it is a composite of multiple intertwined variables. For example, "Clients with more strategic value — like those who engage in our campaigns or provide feedback — definitely get prioritized."

The tangible ways in which customer tiering models (A/B/C or Gold/Silver/Bronze) and informal ranking systems are applied indicate that organizations have employed value-based portfolio logic, despite not having centralized CPM software (i13, i15, i26). One respondent noted: “We label clients as gold, silver, or bronze in our Excel segmentation sheet. A client who buys regularly or has high investment gets priority.” Additionally, the variety of responses that refer to loyalty and customer engagement implies that B2B firms are evolving to consider a more relationship and retention-oriented focus towards segmentation (i16, i20, i30). This development aligns with Gounaris' (2010, p. 145) methods, in which loyalty ought to be framed not only in terms of behavioral consistency, but rather as a strategic asset in the context of cooperative relationship behavior.

Many companies importantly use segmentation as a guiding principle to ascertain which clients generate more touchpoints, additional service quality, or access to expertise and knowledge. These characteristics represent the best intentions by utilizing segmentation in a manner to enhance their return on investment and diverting time and energy away from the lower value clients (i5, i8, i24). As a participant stated: “Segmentation helps us avoid customers who drain resources and prioritize ones that generate better ROI.” These actions support Kumar's (2018, p.207) efficacy arguments regarding the relationship between CLV and the management of portfolios.

5.3 Gaps, Constraints, and Organizational Resistance

The third primary theme that arose in the discussion was the existence of organizational and operational barriers that limit the full adoption of CPM. While many companies are beginning to implement value-based segmentation models, they find it challenging to include full cost-to-serve (CTS) data with these models (i4, i14, i30). In the interviews, many respondents discussed that while they can measure revenue and gross margin relatively simply, measuring the cost to serve individual customers is challenging based on data fragmentation, lack of standardized measure of service, and disjointed systems from which this information can be compiled (i6, i13, i21). This finding aligns with Karacan et al. (2021, p. 228), who assert, "Cost to serve is the least developed component of customer profitability analysis in B2B environments".

Moreover, several companies noted their frustration with their CRM systems and pointed out the lack of integrated financial, service and behavioral information this technology provides to the full potential of CPM that triangulates these three dimensions (i6, i11, i29). For instance, one respondent stated: “We don’t use CRM software. We work with Gmail, Excel, and client self-billing tools. That limits what we can do with segmentation.” Further, in some companies with siloed organizational structures (sales, marketing, finance functions) that were poorly aligned to develop a shared view of customer value, segmentation may be applied inconsistently or worse, totally disregarded in favor of whatever discretion was given to the professionals (i7, i18, i30).

The results also revealed the existence of many cultural barriers. Sales professionals, in particular, were often resistant to segmentation frameworks as they felt like yet another process that would fail to add value as it was seen as too rigid and separate from the relationships they actively managed on a daily basis (i6, i10, i13). One professional observed: “Some relationship managers have been with a client for 20 years — it’s emotionally hard for them to say ‘we’re no longer serving you.” This aligns with Hartmann et al. (2018, p. 94) who suggest internal buy-in and change management are crucial to the successful implementation of segmentation initiatives. Without the sensation of shared ownership and trust in the process, even when the CPM tools are properly developed and designed would likely not be embraced. The interviews highlighted that segmentation responsibilities are often diffused or unclear, particularly in case studies with mid-sized firms (i15, i28). In some cases, the responsibility for segmentation was the responsibility of various departments with no clear process for accountability, coordination, or review. This absence of accountability ultimately limits the institutionalization of CPM and potentially increases the risk of inconsistent customer treatment.

Possibly, the implementation of CPM should not only be seen as a technical task, but also a challenge in organizational design given that implementation will require alignment, sponsorship from leadership, and cross-functional governance

5.4 Reflection on The Research Question

The central research question: How do B2B firms utilize Customer Portfolio Management (CPM) models to segment and manage customer relationships, and what challenges do they face in balancing cost-to-serve with customer value? is comprehensively addressed by the study. The evidence suggests that while CPM is not universally formalized, its underlying logic is actively guiding customer segmentation and management practices across diverse industries (i2, i4, i9, i15, i30). Firms differentiate customers based on both financial value and strategic alignment, and use this differentiation to inform investment decisions, relationship strategies, and service design (i8, i16, i23). One of the interview respondents mentioned: “We look at ROI, and also customer engagement. Loyalty and willingness to share data matter as much as profit margins.”

Nevertheless, the results also highlight that these companies still had relatively long journeys to institute CPM completely. The absence of systematic cost-to-serve measurement presents one of the biggest challenges in achieving this goal (i4, i14, i30). Cost-to-serve is critical for management to evaluate the relationship between customer value and delivery effort. The challenges stem from two main sources: integrated systems are not universally adopted, there are many unclear ownership roles, and many are still in the process of transcending a verifiable model. The results nevertheless indicate that in many circumstances, they were all at a state of progress of wanting to primarily implement CPM at more comprehensive objectives, with growing enlightened awareness of the strategic importance of CPM comprised of a desire to establish in stages credible and accepted practices for CPM.

The results also affirmed the broader academic perspective on segmentation and CPM as not decision tools but rather strategic enablers requiring cultural, technological, and structural remedies. To truly acknowledge the sophistication, companies need to move beyond partial forms of recognition and work through a process of cultural implications, functional accountability, and realization that change management is inevitable. Further research may consider establishing different maturity states of firms and estimating how they will overcome associated challenges, or defining the best practices to scale CPM initiation successfully.

5.5 An ideal CPM Model: Integrating Strategy, Structure and Systems

Despite, it is hard come up with specific ideal CPM model that will work for cases, in light of the practical implications and theoretical contributions shared in this thesis, an optimal Customer Portfolio Management (CPM) model for B2B firms will include strategic alignment, cross-functional collaboration, and rigorous analysis. At its base, the model needs to incorporate a multi-dimensional segmentation process which utilizes financial variables (ringed revenue, ROI, and margin) to segment customers and strategic variables such as customer loyalty/engagement and future potential to help classify customer types beyond the rational transactions they have completed with an organization. The use of both historical and future to classify customers will allow B2B firms to segment their customers on the basis of economic value received, and the strategic fit for their organization. To implement this segmentation, firms should utilize a tiered classification of customers for example (A/B/C or Gold/Silver/Bronze) which is regularly maintained through CRM systems, and supplemented with cost-to-serve (CTS) and customer lifetime value (CLV) information. The portfolio governance should be managed through a cross-functional exercise including marketing, sales, and finance so that they are all accountable for the ongoing continuity and review of the tiers.

Additionally, the model considers subjective judgments in addition to data-driven decisions. Account managers, who are in closer relationships, should have a structured role in the CPM assessment, particularly for identifying strategic accounts or 'high-potential' accounts that may not be seen through historical data metrics. Lastly, firms should implement a review loop in which customer tiers, resource allocations, and service levels would be checked regularly (e.g., quarterly) and adjusted as needed when either the market changes or when clients change internally. This will keep the CPM model flexible and strategically relevant. In summary, an optimal CPM Model is more than a segmentation tool; it is a strategy that considers both quantitative data and qualitative insight, integrates internal functions, and drives sustained customer profitability.

6. CONCLUSION

This research examined the ways that B2B firms apply any Customer Portfolio Management (CPM) models to segment them and manage their relationships collaboratively, and what challenges they have encountered when balancing cost-to-serve (CTS) with customer value. There is a lot of research related to customer segmentation and value-based marketing in B2C depression, and this demonstrated research contributes to the ongoing academic and managerial discussions that focus on the B2B industry and the strategic logic of CPM.

Using a qualitative methodology that embraced theoretical review and semi-structured interviews with 27 B2B firms in a variety of industries, insights garnered from the interviews provided an opportunity to analyse real-world practice with relation to CPM models - including how certain criteria are chosen for segmentation, how customer value extends beyond financial measures, and how portfolio strategies can influence the strategic rationale and decision-making around how resources are allocated, relationship management, and organizational alignment and priorities.

The results indicate that, though most organizations do not refer to their frameworks as “Customer Portfolio Management,” it is apparent that the reasoning associated with CPM is consistently being applied. Organizations often seek to better understand their customer base by segmenting customers in various ways, like profitability, potential for growth, loyalty, breadth of geographic reach, or fit against a strategic agenda. The hybridized usage of monetary and non-monetary elements in segmentation demonstrates a high level of awareness of customer value that is in theoretical alignment with academic constructs like Customer Lifetime Value (Kumar & Reinartz, 2016, p.41), relationship quality (Hennig-Thurau et al., 2002, p.242), and the CPM matrix by Thakur & Workman (2016, p.412).

The study shows that segmentation plays several strategic roles in B2B firms. Most importantly, segmentation enables firms to prioritize usage of internal resources (i.e. sales people and service support), develop custom relationship management strategies (i.e. treat key accounts differently), and better plan for future usage and expectations through a clearer understanding of customers. It may also be used for some of the traditional reasons for segments, such as aligning product offerings. However, the study also indicated several barriers that limit the potential for using CPM fully, including uncontrolled costs to serve data, disparate IT systems, cultural blockers (usually from sales), and inconsistent use of CRM systems.

The integration of cost to serve into segmentation can be particularly difficult. While most firms recognize that assessing service effort in addition to revenue is essential, many firms cannot access accurate CTS data mainly because of insufficient system integration and a lack of accountability being assigned for revenue generated by each service. Further complicating the issues are the many firms still utilizing informal or intuitive segmentation processes which allow flexibility, but obscure transparency and consistency across functional layers of an organization.

Despite these challenges, the studies indicate an increasing maturity in segmentation awareness among B2B firms. Increasingly firms are moving away from overly simplistic segmentation approaches and developing increasingly formal customer portfolio models using data from either CRM applications, internal dashboards, or scheduled data reviews. Further, the strategic value of CPM is broadly acknowledged—especially in avoiding over-investment in low-potential accounts, increasing ROI through account management, and stimulating greater alignment of marketing and operations contributions to the firm's overall business strategy.

Ultimately, this thesis shows that compact customer profitability measurement is not just a theoretical idea but is an important managerial tool which contributes to a greater degree of strategic decision-making in managing customer relationships when applied appropriately. The findings also re-emphasized the need for a more comprehensive CPM system, organizational functional alignment, and cultural change in the organization to reach the maximum potential of CPM. This study therefore provided the clarity in theory and recommendations to business practitioners in B2B firms as they seek to achieve as much value from their customer base while keeping intact cost management principles.

7. LIMITATIONS AND FUTURE RESEARCH

While this study provides valuable insights into how B2B firms implement Customer Portfolio Management (CPM) and utilize segmentation to manage customer relationships, it also faces certain limitations. These limitations affect the scope, depth, and generalizability of the findings. In addition, this chapter offers several directions for future research that can build upon the findings of this thesis and further develop the academic understanding of CPM and its practical application.

7.1 Limitations

One of the main limitations of this research is its qualitative and exploratory nature. Semi-structured interviews were useful for obtaining insights into participants' perceptions and perspectives, but results cannot be generalized statistically. While the 27 interviews represent a large number of elements across a range of industries and sizes of companies, the results are ultimately context-dependent. Like many qualitative studies, more emphasis was given to depth than breadth, and the heterogeneity of respondents, while great, may have resulted in differences in interpretation and emphasis across companies and sectors.

Additionally, the research is based solely on self-reported information from the interviewees, which may introduce subjectivity, bias or embellishment. Participants may have portrayed their organization as doing things more effectively than it actually does, and may have limited visibility of processes beyond their functional area. This is especially true for respondents from a commercial or strategic function that may not have complete access to the firm’s CRM data, underlying price structure or internal financial systems. As a result, there is a high chance that aspects of CPM adoption and use may have been over or under-represented.

A further limitation of this research is the lack of triangulation using additional empirical evidence such as internal documents, CRM screenshots, or performance reports. Although the interviews were supported by thematic coding in Atlas.ti and thorough analysis of quotes, further objective data would have contributed to both the credibility of the study as well as analytic rigor. Further, the cost-to-serve (CTS) was one of the four core themes for study yet was very rarely supported by hard evidence during interviews as is indicative of a wider industry limitation on measuring CTS and reporting it.

Lastly, this study did not engage with quantitative outcomes or KPIs to assess the effectiveness of individual CPM strategies. Therefore, it is impossible to take segmentation strategies further to assess whether they impacted customer retention, profit margin, or internal efficiencies. Measurement would need to be longitudinal or mixed-method, which lies outside the boundaries of this thesis.

7.2 Future Research

This thesis presents multiple routes for future scholarly inquiry on Customer Portfolio Management (CPM) and segmentation practices in the B2B context. First, it would be beneficial for future research to take a quantitative approach to investigate the linkages to CPM activities and specific business outcomes (for instance, profitability, customer retention or service efficiency). This type of research would allow for empirical evaluation of the strategic benefits put forward in this thesis.

Second, comparisons in case studies across industries or sizes of companies would be useful in discovering how CPM maturity and segmentation strategies differ across settings. Investigating sector-specific practices would also surface features of barriers and enablers to adopting CPM.

Another important direction is the further investigation of cost-to-serve (CTS) integration. Given the widespread recognition of CTS as important but underdeveloped, future studies could focus on how companies define, measure, and embed CTS in customer value assessments and decision-making frameworks.

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10. APPENDIX

Appendix A - Interview Guide

Main topic of the question	Interview question
1. How do they segment (models used, barriers and challenges)	1.1 How do you segment your customers? Sub-questions (in case they are needed): • Do you differentiate? • How does it compare with other companies? • What about other criteria? Geographic? Product/Service? • What are the key benefits? • What are the challenges faced with implementation and application?
2. How do they build/ manage customer portfolios (models used, barriers and challenges)	2.1 How do you differentiate among individual customers? 2.2 How do you utilize Customer Portfolio Management (CPM) models to segment Sub-questions: • How does it compare with other companies? • What about other criteria (eg customer loyalty, demand nature, cost vs benefit of serving customers)? • What are the key benefits? • What are the challenges faced with implementation and application?

3. Buyers and seller interactions - individual level (personal). Is it always a rational process?	3.1 Are there customers you like to work with (individuals)? How would the personal relation influence your efforts? Sub-questions: • Were you ever in a situation where .. (think more)
4. Segmentation consequences: external	4.1 Which are the consequences from differentiating customers? How do you treat them differently, then? how do externalities affect the segmentation Sub-questions: • How does your company adjust its relationship management strategies based on High-value and low-value customers? • Innovation, delivery (e.g. in allocation situation, lack of capacity), react to complaints, prices, news products, market share, how often engage…. • Think about Covid, any different customer treatment?
5. Segmentation consequences: internal	5.1 Which are the consequences from differentiating customers? How do you engage with them internally, within your firm? Sub-questions: • What do you do for good customers, e.g. if they want to rush an order, if there are problems, if they have special requirements? (You as the agent for your customer) • Engagement with other functions in your firm
6. Software support	6.1 Do you use any software for supporting your customer segmentation efforts? 6.2 Do you have any software for customer portfolios (individual customers)? Sub-questions: • If yes, can you tell me what kind of system or software you use? • Which features does it have? • Which other solutions do you know / other firms might use?
7. How do they identify bad customers? (Customer churn and business risk)	7. How do you identify bad customers that you want to stop serving? Deprioritize? Sub-questions: • Could you describe the different methods or tools used in the company to identify such customers. • Are there any indicators or signals used to predict when a customer is at risk of leaving the company? • Could you explain to what extent customer segmentation has an impact on mitigating or reducing this risk?

Appendix B – Interview Quotes

Company Number	**Quote**
1	*"This applies to clients who contribute little but are important to me because, in the end, they are part of the foundation of the business... I care for those clients, but I balance the resources I dedicate to them."*
2	*"We need to develop these protocols and strategies because this has shown us that certain types of clients will generate risk. Segmentation is critical for us."*
3	*"There is a scoring phase where we classify the client based on their probability of default. This is closely related to managing the company's financial risk."*
4	*"When you bring in the scientific side and the analytical part, it helps you understand—'This one is really good'—and maybe you thought they weren't."*
5	*"80% of your revenue comes from 20% of your clients. So, what you end up doing is focusing all your resources on that 20%."*
6	*"Yes, we segment. Syndicated loans can only be offered to clients with a certain volume. It's all based on internal segmentation."*
7	*"We try early on in our sales process to identify the people that we don't think we can work well with... Otherwise, you'll waste a lot of resources and time."*
8	*"We start by looking at value, but also at future potential. If a customer has a lot of potential, they'll get assigned a key account manager."*
9	*"A smaller company is more about personal relationships. A big group is more about treatment: they want their products on time, excellent quality."*
10	*"If a customer doesn't pay well, we don't cut them off, but we switch them to advance payment. That gets reflected in our CRM and future quotes."*
11	*"Only in extreme cases—maybe once or twice in ten years—have we ended a relationship due to very poor communication."*
12	*"If too much happened in the past, we might decide not to work with them again. The only segmentation is based on how long someone hasn't paid."*
13	*"Of course, segmentation is also made in response to the competition. In areas with an abundance of biomass, it makes no sense to enter."*
14	*"Now we apply much more of a differentiated price policy... So in China, we go a bit deeper with the prices than in America."*
15	*"We just have to get rid of that because we have too many customers. We have to create space."*
16	*"We are the firm that provides the most products and have the best mapping of that target group. Segmentation helps us because of our history."*
17	*"If we have high-risk companies and think we wouldn't want to work with them in the future, we still complete the current project successfully."*

18	*"In the professional business you cannot deprioritize the customer base... except for those that don't follow basic rules of hygiene."*
19	*"If a customer scores poorly in many areas, we ask them to switch. Rarely, but it happens."*
20	*"Absolutely—all part of resource allocation. You visit them less frequently or reprioritize based on contribution."*
21	*"We're dealing with a very specific target group of doctors. We've been working with them for 20 years, so we know where to go."*
22	*"We segment clients into verticals—public sector, healthcare, etc. Then we look at addressable market, competition, and growth potential."*
23	*"A customer that is not profitable today may still be strategically important tomorrow... It's about optimizing resources without burning bridges."*
24	*"We focus our resources on clients with high lifetime value and growth potential... Differentiation ensures that each customer gets the right level of attention."*
25	*"Core customers are those who bring the major part of the income from the portfolio... Their penetration rate is 70% and higher."*
26	*"We enter each price segment with all product formats. To succeed in premium, we must cover every format and flavor that the consumer might prefer."*
27	*"We do not explicitly label any customer as 'bad,' but we evaluate each relationship on a mix of tangible and intangible factors."*
28	*"We don't yet have a software-backed segmentation system, but we clearly notice that some customers require disproportionately more service. That affects our thinking."*
29	*"The math is simple. If a customer only wants the cheapest rate but takes a lot of time and adjustments from our teams, we deprioritize them in future contracts."*
30	*"Our ABC segmentation helps us distinguish clearly between clients that pay on time, give us recurring business, and those that are more volatile or risk-prone."*
31	*"In case of low stock or tight delivery windows, we always prioritize the supermarket chains first. Their volume is steady, and they're more reliable over time."*

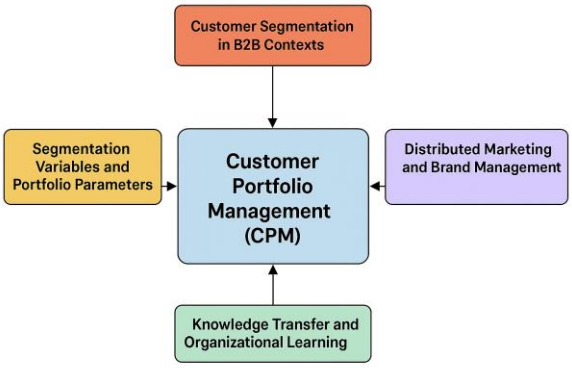
Appendix C – Power Quotes from Interviews

Company/Interview Number	Power Quote
i1	*"This applies to clients who contribute little but are important to me because, in the end, they are part of the foundation of the business... I care for those clients, but I balance the resources I dedicate to them."*

i2	*"We need to develop these protocols and strategies because this has shown us that certain types of clients will generate risk. Segmentation is critical for us."*
i3	*"There is a scoring phase where we classify the client based on their probability of default. This is closely related to managing the company's financial risk."*
i4	*"When you bring in the scientific side and the analytical part, it helps you understand—'This one is really good'—and maybe you thought they weren't."*
i5	*"80% of your revenue comes from 20% of your clients. So, what you end up doing is focusing all your resources on that 20%."*
i6	*"We are on board with segmentation, but salespeople think it limits them—they want flexibility, not a model to tell them how to rank clients."*
i7	*"I can't deny that loyalty is important, but we can't measure it very well—it exists mostly in the heads of our key account managers."*
i9	*"You can't treat all clients equally. Some bring much more value than others—and CPM thinking helps us figure out who deserves more of our attention."*
i10	*"Some relationship managers have been with a client for 20 years — it's emotionally hard for them to say 'we're no longer serving you."*
i12	*"Key accounts always get first-in-line service and more frequent updates."*
i13	*"We don't use CRM software. We work with Gmail, Excel, and client self-billing tools. That limits what we can do with segmentation."*
i14	*"The cost side is hard. We kind of estimate it based on effort and team hours, but it's not exact—it's more of a feeling based on experience."*
i15	*"We just have to get rid of that because we have too many customers. We have to create space."*
i16	*"Some customers don't order the most, but they give us feedback, take advantage of pilots, and help product teams develop new products. That's value."*
i18	*"We are now also working on cross selling lists… what services are being purchased from*

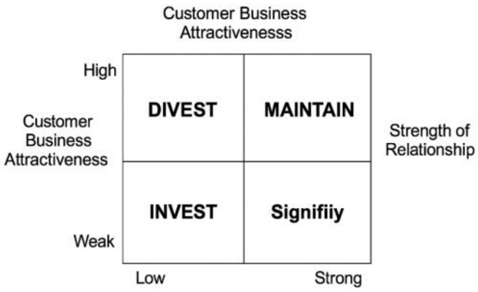
	that customer. And whether more services could be added."
i20	*"We revise our customer tiers every six months based on new priorities."*
i21	*"We avoid wasting time on customers that aren't strategic."*
i23	*"We segment clients into verticals—public sector, healthcare, etc. Then we look at addressable market, competition, and growth potential."*
i24	*"Segmentation helps us avoid customers who drain resources and prioritize ones that generate better ROI."*
i26	*"We label clients as gold, silver, or bronze in our Excel segmentation sheet. A client who buys regularly or has high investment gets priority."*
i30	*"We track segmentation profile, industry vertical, specific modules used, and product version in Salesforce to identify upsell or cross-sell opportunities."*

Appendix D - Theoretical Framework Model



Theoretical Framework Model

Appendix E - Fiocca's (1982) two-step customer segmentation matrix.



Appendix F - Overview of the most commonly mentioned criteria used by B2B firms to segment their customer base, as reported during the interviews.

Table 1

Segmentation Dimension	Explanation/Usage	Illustrative interview quote
Financial Value (ROI, revenue)	Revenue contribution and ROI are most common criteria for customer ranking.	“We assess their revenue history and margin contribution.” (i9)
Customer Loyalty & Engagement	Loyalty includes both monetary and non-monetary contributions (e.g., feedback, brand advocacy).	“Some clients join pilots, provide insights — that’s real value.” (i16)
Growth Potential	Customers with high growth forecasts are prioritized despite lower current value.	“If we see potential, we invest in them early.” (i18)
Geographic or Industry Factors	Segmentation sometimes depends on market region or sector to tailor offers or compliance.	“Our approach varies by region and industry size.” (i4)
Size & Operational Complexity	Larger clients or those requiring complex service setups are segmented differently.	“Bigger firms require more customization, so we assign more resources.” (i5)
Cost-to-Serve (Estimated)	Though rarely tracked precisely, effort and service burden are often estimated and factored in.	“It’s not formal, but we know which clients demand the most attention.” (i14)

Appendix G - Strategic benefits and organizational challenges associated with Customer Portfolio Management (CPM) as experienced by the interviewed firms.

Table 2

Theme	Observed Practice / Insight	Illustrative Interview Quote
Resource Allocation	Firms use CPM logic to direct time, service, and personnel to high-value customers.	“We avoid wasting time on customers that aren’t strategic.” (i21)

Relationship Prioritization	High-tier clients receive better access, faster service, and personalized support.	"Key accounts always get first-in-line service and more frequent updates." (i12)
Data and System Limitations	Lack of CRM-finance integration prevents reliable profitability and CTS analysis.	We can't track service costs across departments; it's mostly estimates." (i4)
Organizational Resistance	Sales teams are sometimes hesitant to follow segmentation rules or "customer ranking."	"Some reps push back—segmentation feels too rigid to them." (i6)
Evolving Models	Many companies update their segmentation regularly due to shifting customer needs and external factors.	"We revise our customer tiers every six months based on new priorities." (i20)
Informal Practices	CPM is often applied intuitively or unofficially even without formal models.	"We don't call it CPM, but we definitely act according to its principles." (i13)

Appendix H - Overview of CPM Usage, Segmentation Criteria, and Strategic Implications Across 31 Interviewed Firms

Firm No.	Company name	CPM used	Segmentation criteria	Formal model/ranking available	Implications/strategic use
1	Salvetti & Lombard	Y	ROI, Customer Loyalty, Strategic Fit	Yes – Dashboard Tiering	Targeted communication, resource alignment
2	The hunter projects	Y	Revenue, Growth Potential, Innovation Engagement	Yes – Manual Spreadsheet	Used for innovation partnership selection
3	Naturgy	N	Revenue, Region, Product Line	No – Ad-hoc segmentation	Broad pricing and product strategy only
4	Mahou-San Miguel	Y	Customer Size, Relationship Tenure	Partial – Internal CRM only	Supports sales focus and service tiering
5	Cisco	Y	Global Revenue, Cross-Buy Potential	Yes – Customer Classification Model	Global account management consistency
6	Caixabank	Y	ROI, Industry, Geographic Location	Yes – Internal KPI Tiering	Guides regional investment allocation

7	Algo Coding Experts	Y	Developmental Fit, ROI	Yes – CRM-based Scores	Influences hiring for technical roles
8	Custom Made Jeans	N	Product Type, Order Frequency	No – Informal Only	Basic forecasting; low strategic use
9	ZSM Orthopedics	Y	Customization Effort, Profitability	Yes – Project-Based Ranking	Prioritizes engineering resource support
10	Tecnotion	Y	High-touch Effort, Technical Support Needs	Yes – Custom Resource Allocation	Segmentation used for support coverage
11	Searchflow	Y	Profitability, Market Segment, Feedback Quality	Yes – Formal Key Account Management	Loyalty program optimization, value co-creation
12	Qredits	Y	Risk Score, Financial Stability, Relationship Stage	Yes – Internal Risk Model	Tailored loan product offerings based on portfolio grouping
13	Kara Energy Systems	N	Sector Focus, Region, Size	No – Ad-hoc tiering	Used mainly for logistics and distribution planning
14	HP Valves	Y	Revenue, Technical Support Effort	Partial – Excel-Based Classification	Supports spare parts prioritization and aftermarket service
15	QAD	Y	Partnership Depth, Customization Level	Yes – CRM Dashboard	Key accounts managed with high service and co-creation plans
16	Johnson & Johnson	Y	Product Portfolio Fit, Value-Based Contracts	Yes – Tier-Based CRM	Cross-brand alignment and resource dedication
17	Movares	N	Project Size, Tender Requirements	No – Intuitive Process	CPM logic used in project planning, not formally modeled
18	Henkel/Schwarzkopf	Y	Brand Alignment, Market Penetration	Yes – Global CPM Tiers	Branding alignment and innovation input weighted in value
19	Braun & Company	Y	Lifetime Value, Order Complexity	Yes – Customer Scoring	Used for pricing flexibility and supply planning
20	McKinsey	Y	Industry Impact, Strategic Fit, Longevity	Yes – Engagement Scorecard	High-value clients receive premium research and advisory
21	Evotec	Y	Innovation Pipeline Role, Technical Needs	Partial – Collaborative Tiers	R&D effort prioritized based on portfolio category
22	Accenture	Y	Strategic Alignment, Revenue Tier	Yes – Tiered Portfolio via CRM	Differentiated delivery teams based on value segment
23	BAT	Y	Market Size, Distribution Reach	Yes – Sales Force Allocation Model	Used to assign regional sales priorities
24	Tabaterra	N	Volume, Loyalty	No – Simple Revenue Groups	Entry point into further CPM development
25	Pasha Bank	Y	Credit Exposure, Strategic Sector Presence	Yes – Risk & Growth Matrix	Risk-weighted segmentation for client retention

26	Red Bull	Y	Retail Footprint, Brand Coherence	Yes – Visual Mapping Dashboard	Aligns trade marketing investments by segment 27
27	Imperial Tobacco (Azerbaijan)	Y	Distribution Quality, Market Share Potential	Yes – Country Portfolio Grid	Used for channel investment and promotional spend logic
28	Gabriel-Gabriel	N	Industry, customer size, complexity, customer history	N	CRM implementation underway; service intensity affects relationship; segmentation mostly intuitive
29	CPS	N	Purely financial (rate-based), efficiency of routes, client strategic relevance	N	Customer ranking driven by profitability; strategic clients (e.g. Supplier1) receive priority and loyalty-based investment.
30	Forvis Mazars	Y	Client size, revenue, write-offs, behavior, cross-sell potential, strategic fit	(ABC classification)	Large clients prioritized; segmentation used for pricing and quality control; CRM system used for visibility but not fully leveraged.
31	Mahmoud Rice & Tea	N	Client classification (wholesale vs. supermarket), off-take size, reliability, geography	N	Informal segmentation with strong operational logic; strategic clients receive prioritization during scarcity; CRM (Exact Online) used functionally, not structurally.