Customer Concentration and Firm Performance: Findings from a Meta-analysis

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Abstract

Customer concentration (CC) captures the distribution of revenue over the firm's customer base, where high CC indicates that a minority of customers account for a substantial share of the firm's revenues. Existing studies offer ambiguous results regarding the effect of CC on firm performance. While some studies find that a greater CC improves firm performance, others report that it is detrimental to firm performance. Because structuring the customer base is one of the most important managerial decisions, we further examine the impact of CC on firm performance by using meta-analysis on 256 effect sizes published in 93 independent studies. We offer empirical evidence that the effect of CC on firm performance depends on moderating effects. While CC has a non-significant (predicted) effect on firm performance on average, all else equal, moderating factors determine when the effect is positive or negative. The findings offer important new insights for researchers and managers.

Keywords: *customer concentration; firm performance; meta-analysis*

Track: Marketing Strategy & Theory