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Abstract

This article uses multiple sources of empirical evidence of the performance of firms. Interviews reveal unique insights into the commercial exchanges (e.g., procurement relationships, distribution channels, etc.) and highlight the resultant cost-benefit trade-offs for firms in this environment. Empirical longitudinal analyses of secondary data show that a firm's government customer emphasis (firm revenue dependence on B2G relationships) exerts a positive nonlinear effect on firm value but also increases firm risk (idiosyncratic and systematic). Government customer breadth and depth are two critical customer portfolio characteristics that moderate these effects. High government customer breadth creates more costs associated with an increasing government customer emphasis, mitigating the positive nonlinear effect on firm value. However, breadth provides diversification benefits that alleviate the increase in idiosyncratic risk that comes with greater government customer emphasis. Deep B2G relationships give firms key customer domain knowledge and insights, which help counteract the increased idiosyncratic and systematic risks of government customer emphasis. The authors discuss the implications for marketing theory and practice.



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