ABSTRACT

This thesis consists of two essays. Both essays are related to customer base concentration.

In the first essay, I examine the impact of customer base concentration on selling, general, and administrative (SG&A) costs stickiness. With a sample of 65,549 firm-year observations from 9,460 unique firms on the US market from 1980 to 2012, I find that concentrated customer base accentuates SG&A costs stickiness, even after controlling for related variables such as asset intensity, employee intensity, firm size and firm age. Further findings indicate that the positive association between customer base concentration and SG&A costs stickiness is enhanced if supplier firms are in durable industry (SIC 3400-3990), or have more relationship-specific investments, but weakened if the duration of the relationship between a supplier firm and its customer base is longer. The findings are robust to alternative measures of major variables and to alternative testing models.

In the second essay, I examine the impact of customer base concentration on investment efficiency. With a sample of 57,852 firm-year observations from 12,123 unique firms on the US market from 1980 to 2013, I find that concentrated customer base is positively associated with investment efficiency improvement. The findings are evidenced by the testing results that concentrated customer base strengthens the positive association between investment activities and investment opportunities. From shareholders’ perspective, concentrated customer base also strengthens the contribution of investment expenditure to shareholders’ value. In addition, I find that the positive association between customer base concentration and investment efficiency is influenced by some salient features of the supplier-customer relationship. Generally, such association is more pronounced if the supplier firm’s industry share is larger; if the supplier firm relationship-specific investment is greater; and if the supplier-customer relationship is longer. The findings are robust to a number of sensitivity tests.

Keywords: customer base concentration; SG&A costs stickiness; investment efficiency; agency problem; information asymmetry
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