

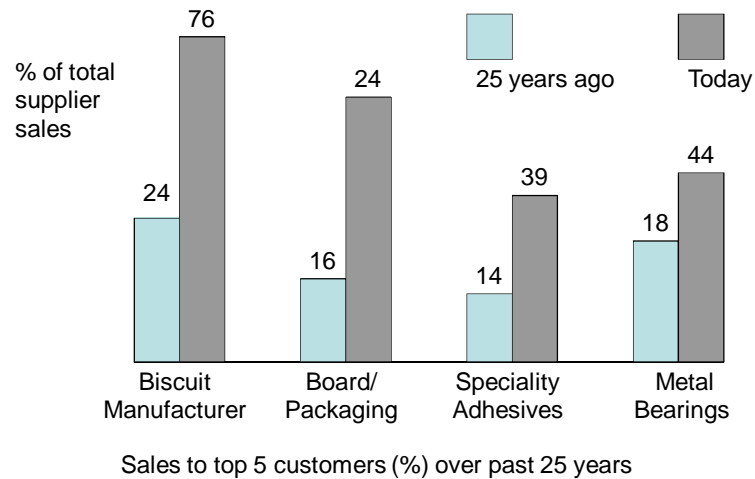
# Key Account Management

Brent Warren

## What is KAM?

- “the art of developing long-term relationships with selected customers” *The Financial Times*.
- KAM is an art not a formula.
- It is a process of development, not a single action.
- It is a long-term process. It takes time.
- It involves relationships, not just a mechanical approach.
- It can only be done with selected customers.

## Concentration of buying power



## The Process (1)

1. Select the correct accounts to be included in the KAM programme.
2. Categorise them according to their potential for helping us to grow our profits *continuously*.
3. Analyse *their* needs.
4. Develop strategic plans for and *with* each of them.
5. Get buy-in from *all* functions.

## The Process (2)

6. Get the right organisational structure to serve the selected key accounts' needs.
7. Get the right people and skill sets in the key account team.
8. Implement the plans on an annual basis.
9. Measure the success of the plans, particularly in respect of whether they create shareholder value.
10. Reward individuals and teams for their success.

## Exercise

- How many key accounts should your company have?
- Who are they for you personally or who do you think they would be?
- What are the characteristics of a key account?

## What identifies a key account?

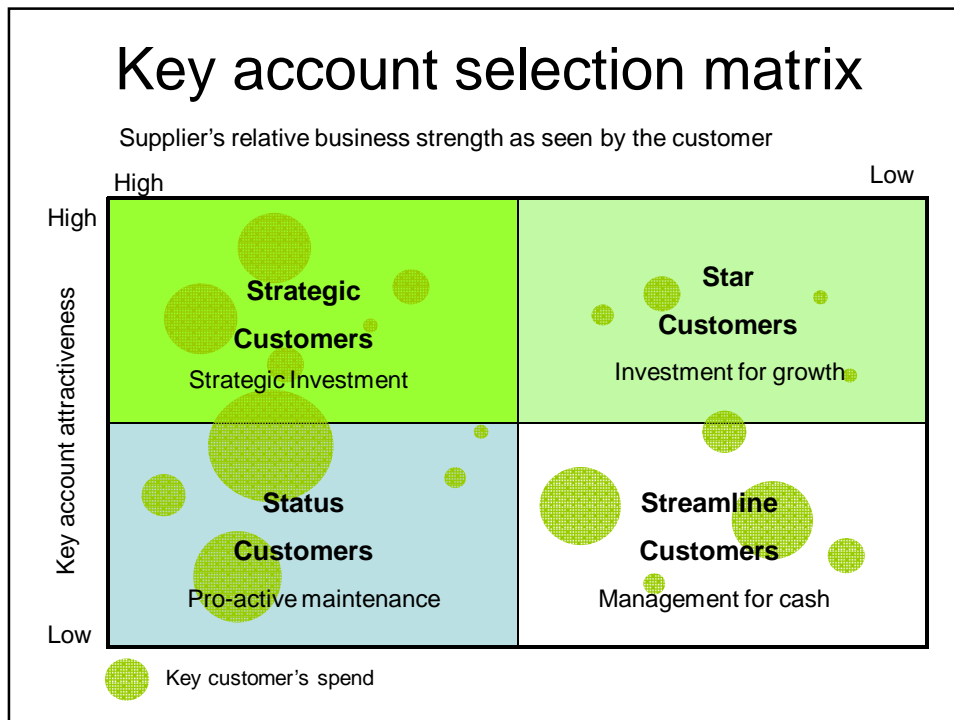
### Features of a key account

- A high revenue customer for your company.
- Provides an opportunity to increase sales.
- Strategically important industry or market leader.
- Could support your company's long-term sales strategy.
- Financially profitable.
- Has a good reputation in industry/professions.
- Are aligned with your company's vision and value.
- Willing to network your company with their customers/suppliers.

## Features of a key account?

### *Not necessarily* features of a key account!

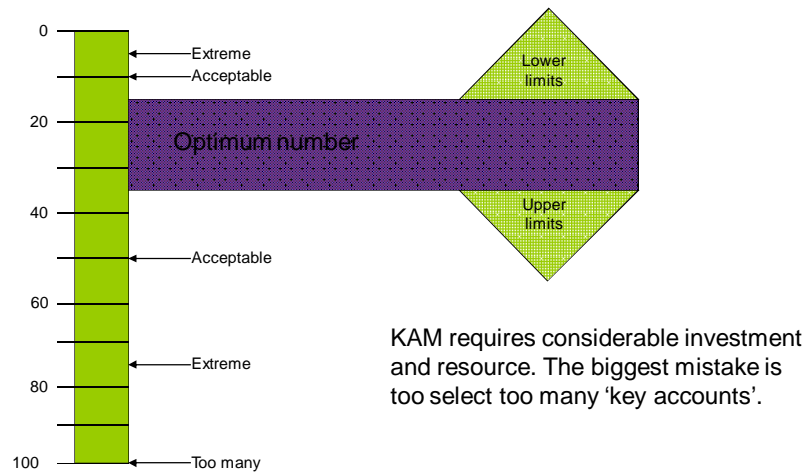
- Large number of employees.
- Has a high turnover.
- Your biggest account – although they pay late!
- You have a good relationship with them.
- They have been your customer for over 3 years.
- They enjoy special terms and discounts.
- Have a global presence.
- Regularly invite you to their corporate entertainment events.



## How many key accounts?

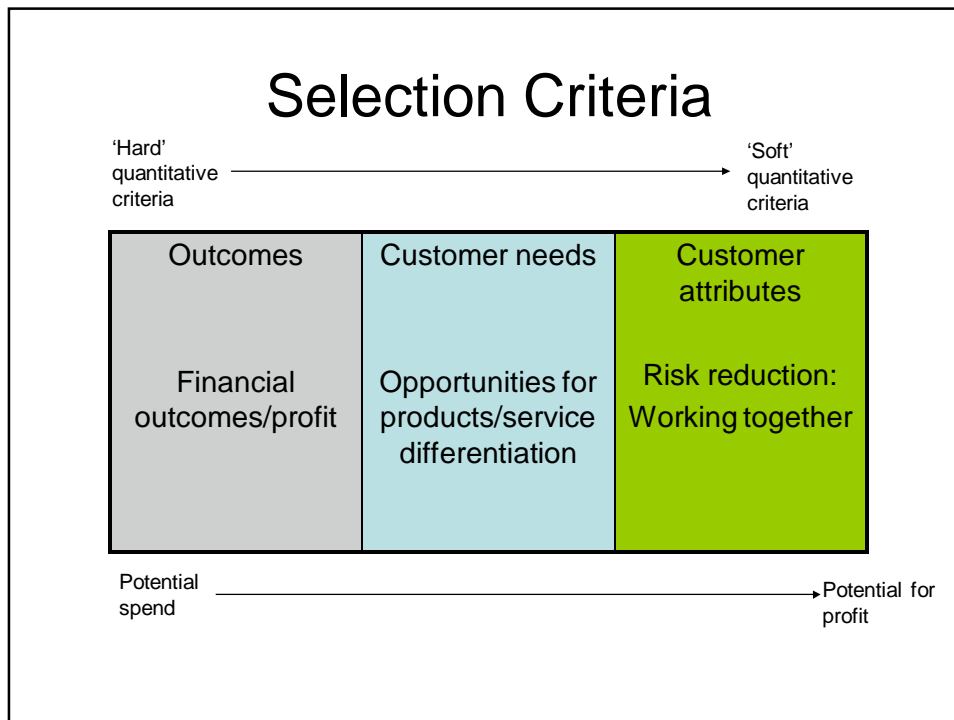
- A key account should be provided with significantly special treatment – why would they do it if this was not the case.
- How many accounts can you genuinely do this with?
- Your company should balance the number of key customers it can handle with a number that represents enough business potential to make the initiative and effort involved worthwhile.

## Key account numbers



## Choosing selection criteria

- Your selection criteria should identify the customer's potential – not just what they are delivering today.
- Think about cases where you have grown customers – what did they have in common?
- Focus on the customer – their potential, their position in their marketplace, their strategy – more than on your company and current yield.
- Look for characteristics and strategies that are aligned with you. Alignment means customer preference.



## Exercise

What criteria could you use to help select key accounts? Come up with as many as you can. Where do you get information from? What additional information would you require?

## Selection Criteria Handouts

- Handout 1 – examples of selection criteria, aim for a balanced spread of types. Involve a range of senior managers to select.
- Handout 2 – examples of quantitative and qualitative criteria and development of a 10 point scoring scale.
- Handouts 3a & 3b – evaluation matrix with aim of no more than 7 criteria and relative importance weighting (total 100).

## Key account profitability

- Key account profitability – are you able to measure the real profitability of your key accounts?
- How has the level of profitability changed over the past three years?
- Does the KAM programme create or destroy shareholder value?

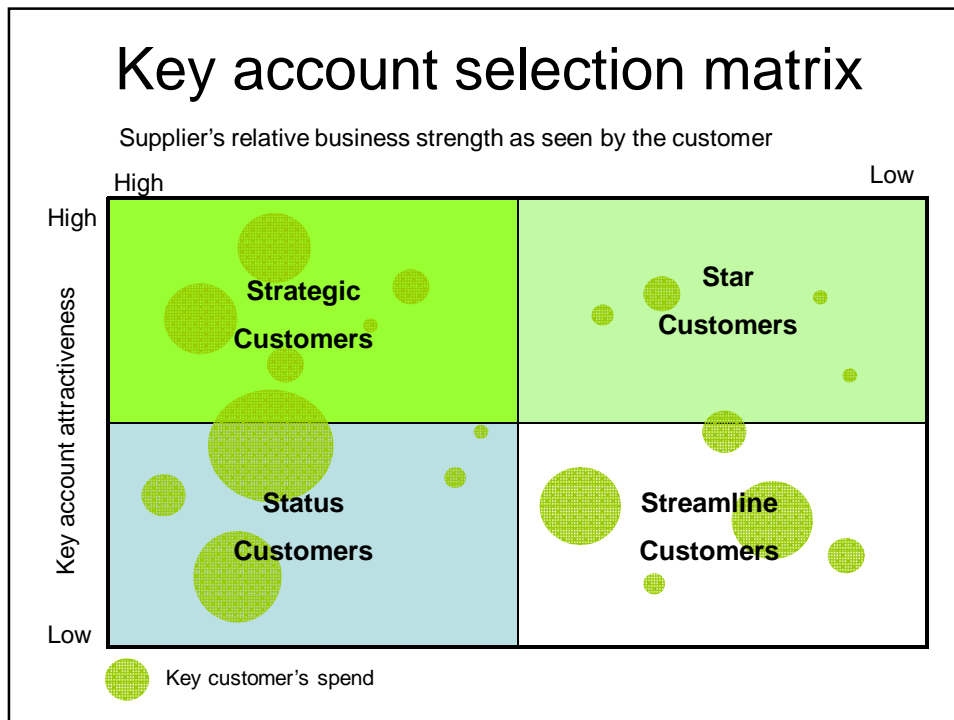


## Tools for Account Analysis

- PEST (or PESTLE)
- SWOT Analysis (internal and external)
- Value chain analysis
- Porters five forces driving industry competition.
- Market definition and market segmentation tools (e.g. Market mapping processes)
- Financial information on customers (financial ratios etc)

## Key account selection matrix

- The account attractiveness matrix is just one side of the story.
- Key account management requires the customer to respond positively and this depends on their view of your company.
- Different customers, at different stages of their lifecycle with the supplier will require and respond to different approaches.



## Star Customers

Attractiveness:	high
Business strength now:	low
Lifecycle stage:	start-up/development
Strategic approach:	invest for growth
Expectation:	substantial growth in volume/sales
Net cash outflow:	present neutral/ negative

Strategic customers of the future – they a) do not rate you highly as they do not know what you do or, b) what you do does not suit them. Investment required in both cases.

## Strategic Customers

Attractiveness:	high
Business strength now:	high
Lifecycle stage:	deep, close relationship
Strategic approach:	strategic investment
Expectation:	growth in volume/sales and profits
Net cash outflow:	positive, optimised rather than maximised

The most innovative and important projects should be developed with these customers. Suppliers need a deep multilevel relationship with these customers. Key account managers need to be multiskilled.

## Status Customers

Attractiveness:	low
Business strength now:	high
Lifecycle stage:	maturing
Strategic approach:	pro-active maintenance
Expectation:	stable profits
Net cash outflow:	very positive

Likely to be strategic customers of the past but you judge that their market or they are not going to grow. Treat them well, manage the cost base and make sure that the excellent relationship does not allow them to draw down resources that they cannot repay.

## Streamline Customers

Attractiveness:	low
Business strength now:	low
Lifecycle stage:	mature
Strategic approach:	manage for cash
Expectation:	low price, low gross margin
Net cash outflow:	positive

Constantly query the price, negotiate everything. Likely to be high volume that you need or something else that they can give you .....or why do it. Manage costs carefully and make sure the gross margin is positive, even if it is not large.

## The customer perspective

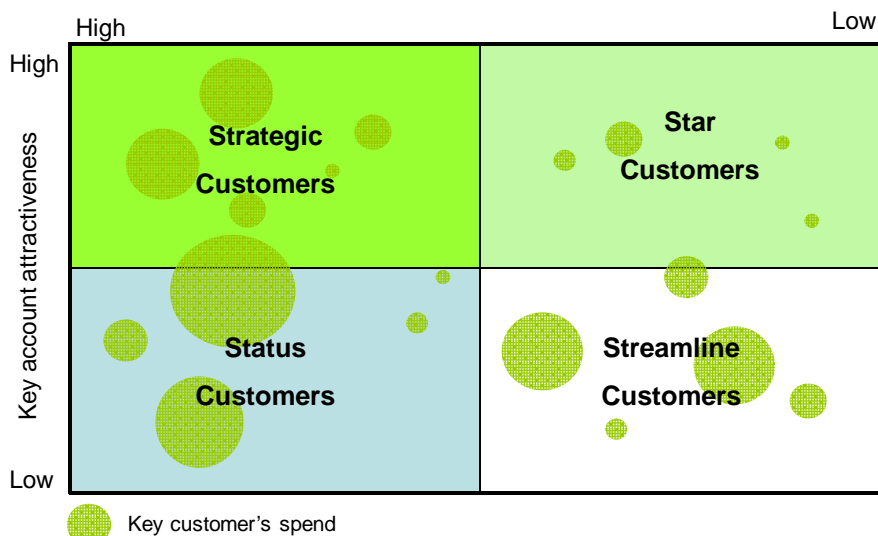
- Don't second guess the customer's view. Find out what they really think.
- It is the essence of KAM that each has a different criteria for suppliers.
- Handout 4 – one customer's analysis of supplier requirements.
- Handout 5 – relative business strength analysis.
- Feed results of both account attractiveness and relative business strength into the selection matrix.

## Exercise

How do you know what your customer thinks of you? How could you find out if you do not have this information?

## Key account selection matrix

Supplier's relative business strength as seen by the customer

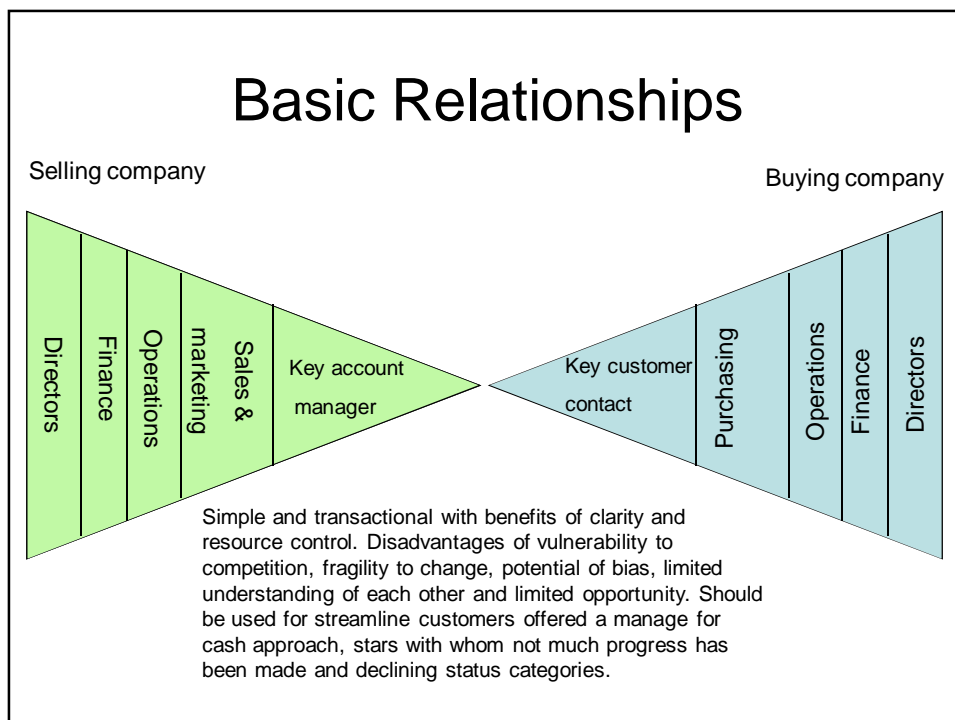
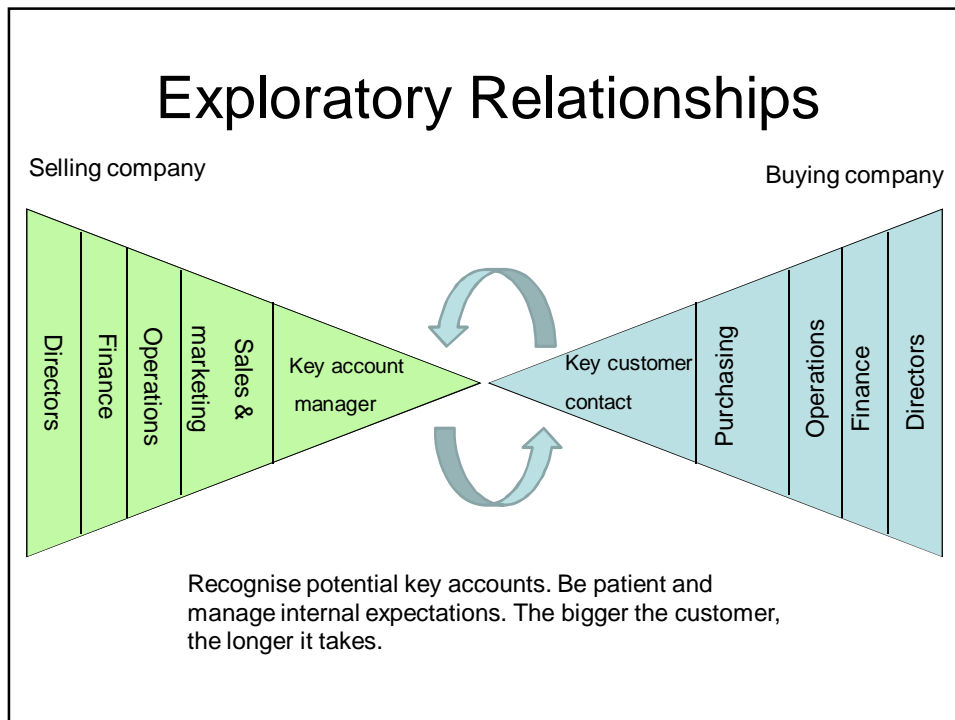


## Account selection summary

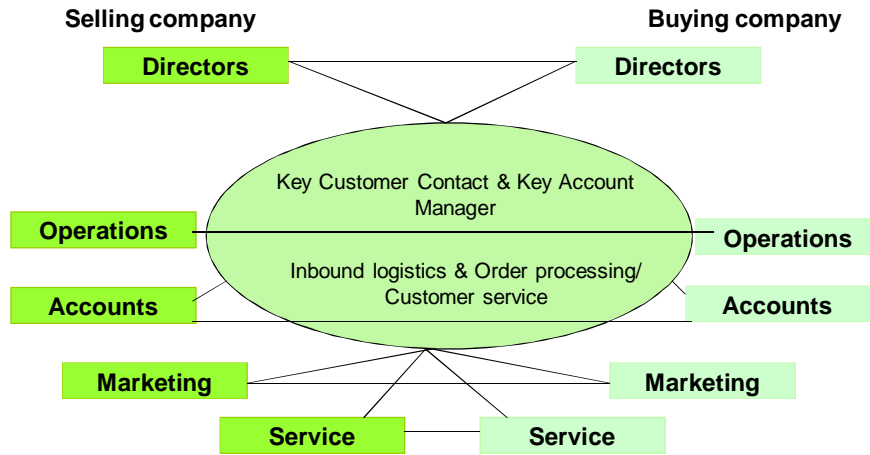
- Selection of key customers is to ensure resources are correctly allocated.
- Selection criteria therefore need to be backed by a sound and effective process.
- Selection of key accounts can be contentious. Process therefore needs to be rigorous to avoid bringing KAM initiative into disrepute.
- As time goes on, some customers will need to be taken out of the key account portfolio. Agree how to approach this with tact.

## Getting the relationship right

a means to an end.....that of  
business development

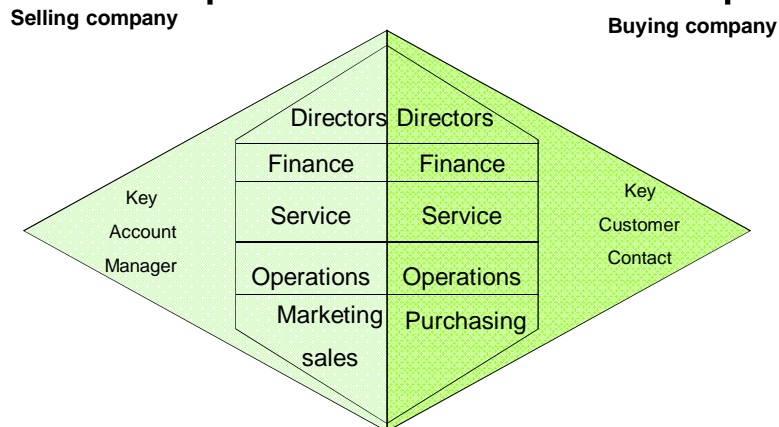


## Cooperative relationships



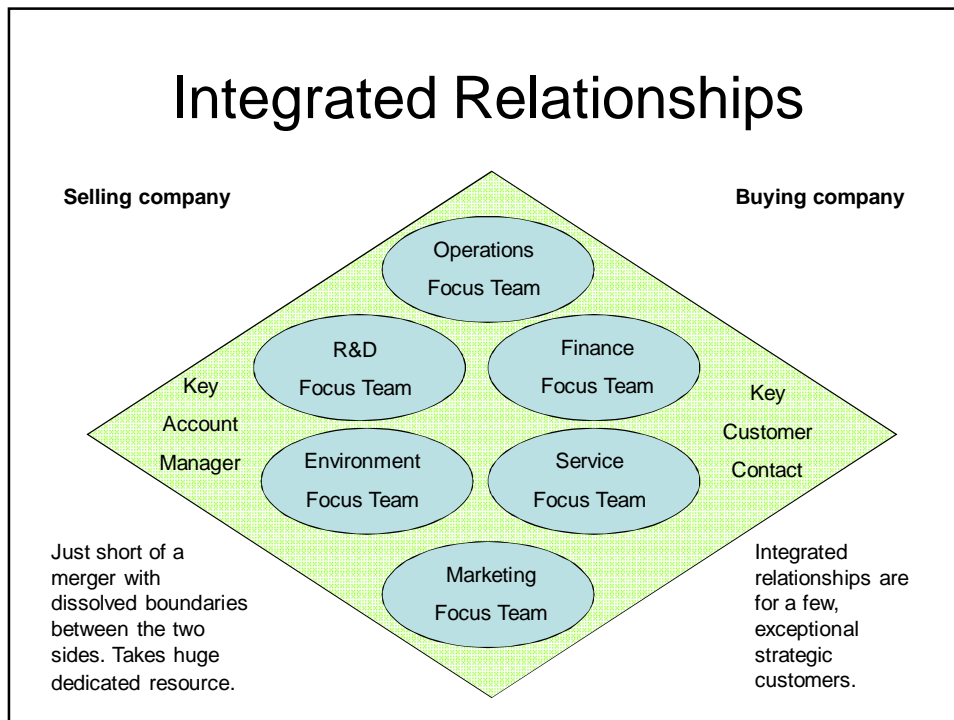
A transitional stage, hard to control and tends to cost money. May be necessary rite of passage but key account managers are still 'out in the cold and the dark' and the supplier is not yet 'trusted'. Used for growing star customers, status customers where relationship is being scaled down from interdependent.

## Interdependent Relationships



This is the stage that KAM aspires to with the right customers. Involves genuine trust, considerable exchange of information, pro-active strategy alignment and deep understanding of each other. Can lead to substantial growth and is appropriate for the majority of strategic customers.





## Relationship stages summary

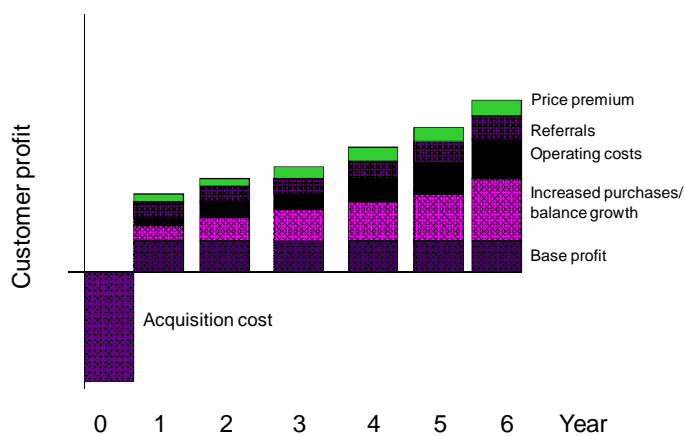
- Crucial to understand the relationship stages, where they are at the moment and where they need to be to avoid inappropriate strategies.
- Disintegration may occur at any stage, for a large number of reasons. The more advanced the relationship stage, the less vulnerable it is.....but companies have a limited appetite for intimacy, mostly because of the cost.
- Handout 6 – Relationship stage characteristics.

## Developing Key Relationships

Decide carefully which ones to develop

## Customer profit contribution over time

Retaining customers is extremely profitable



## Customer expectations of minimum levels of trust and relationship

**Essential in:**

All relationships



Customer expects supplier to:

- Keep promises (written and oral)
- Abide by accepted rules of business practise and behaviour

All, except possibly basic relationships



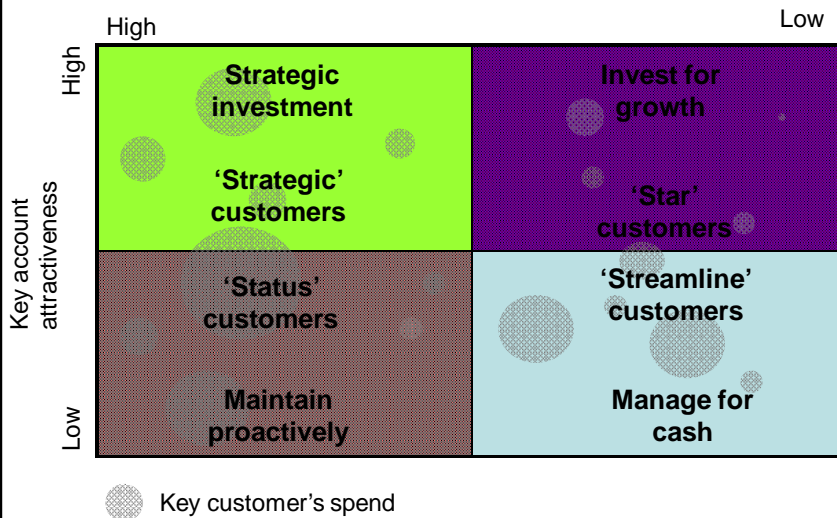
- Perform competently (technical, managerial ect.)
- Operate in accordance with professional standards

Interdependent and integrated relationships

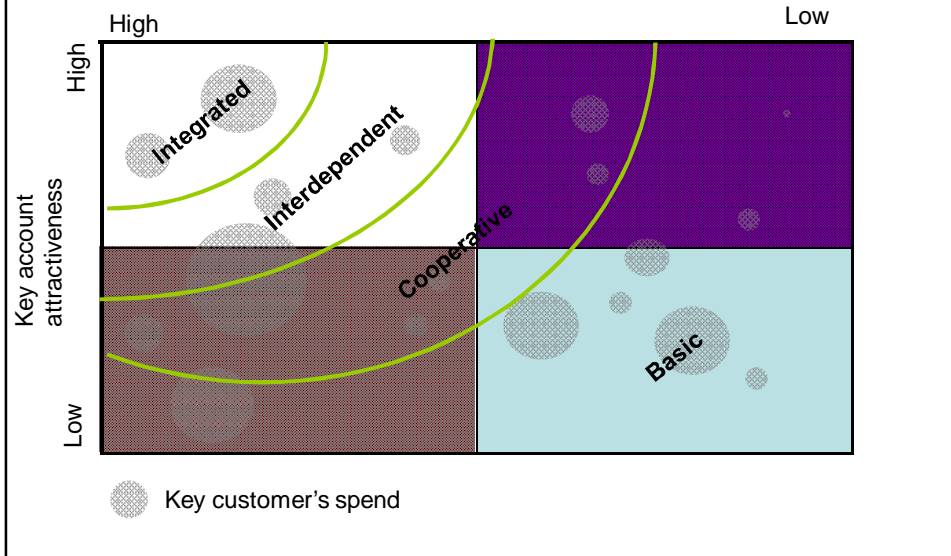


- Show 'open' commitment, willing to do more than formally required
- Potential accede to partner requests or to any observed performance-improving opportunity
- Refrain from opportunistic behaviour

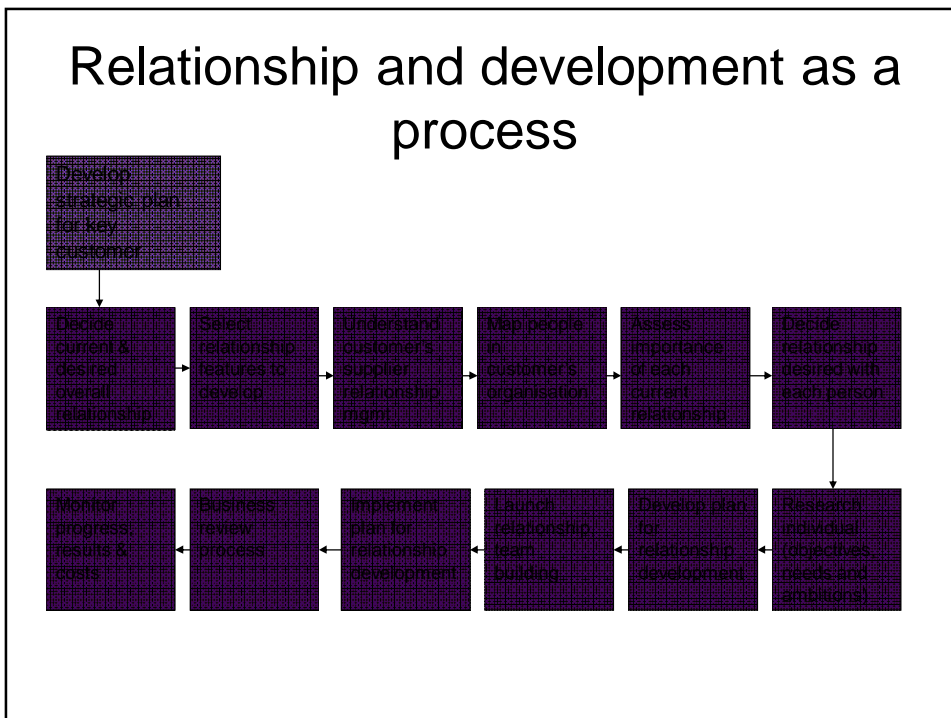
## Matching relationship level with key customer strategies



## Matching relationship level with key customer strategies



## Relationship and development as a process



## Exercise

List your key accounts based on current understanding. What relationship level do you have at the moment and what do you think it should be in 12 months time?

## Developing key relationships - summary

- Too many companies think that developing the relationship alone will make a business difference.....real benefit needs to materialise for the customer.
- The customer's view of the supplier's integrity and trustworthiness should be given more explicit care and consideration.
- Just doing business does not develop relationships.
- Handout 7 – Building relationships through specific features.

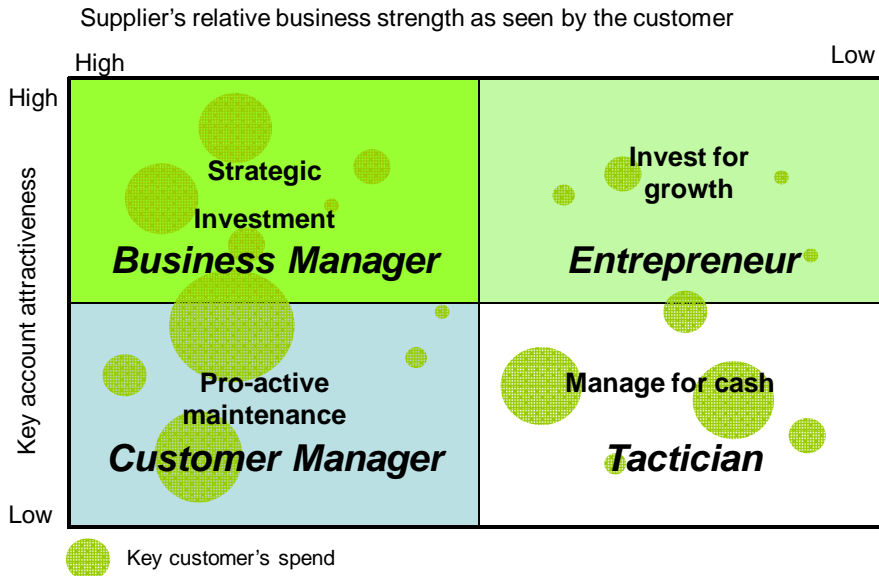
## What's the plan?

- Required for each key account
- Reviewed annually
- 3 year viewpoint
- Handout 8 – Key Account Plan template (adapt, change to suit, develop your own or you may have an existing format)
- Handout 9 – KAM Plan evaluation guidelines. Only plans that fall close to the left-hand side of the chart have any chance of success.

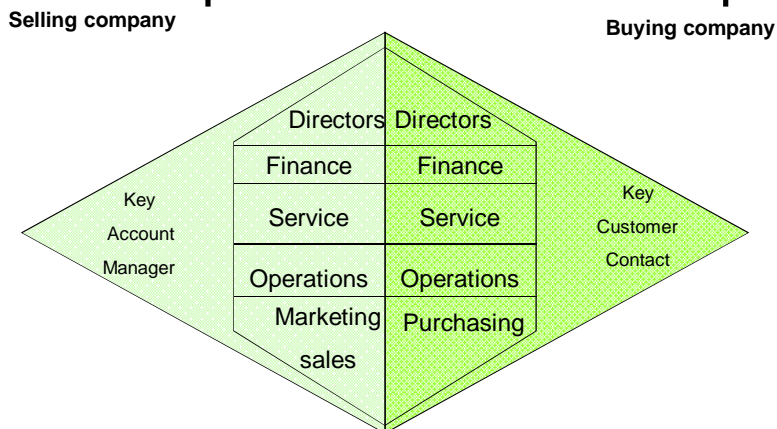
## The Role of the Key Account Manager

or the key account team.....?

## Linking roles to the strategy matrix



## Interdependent Relationships



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## Practitioners' view of the ideal breakdown of key account managers' time

Activity	Share of time
Developing relationships	20%
Implementing deal operationally	15%
Developing industry knowledge, strategy and planning	10%
Selling	5-10%
Ensuring internal alignment for deal commercially	5-10%
Understanding of internal capability	5%
Solving internal day-to-day problems	5%
Promoting brand/business	5%
Reporting/providing information	5%
Training and Education	5%
Other	10%
Total	100%

## Exercise

How does your current role differ from that suggested in terms of both time spent on various aspects of KAM?

Which of the Handout 10 - Strategy, Marketplace and Operations tasks are you involved in, or if not involved currently, which of them should you be involved in?



## Key Account Manager Role - Summary

- It is a demanding role that is determined by the what the organisation wants and expects to achieve.
- Operating account teams can provide competencies to support the KA Manager rather than expecting them to do it all.
- Identifying the relationship required for each key account, and hence which of the four roles is required, can aid in the allocation of accounts to individual key account managers.

## Why do it?

Drivers to adopt KAM

## Drivers of KAM

	Internal	External
Positive	<ul style="list-style-type: none"> <li>•Desire for growth</li> <li>•Capitalising on broad product/service offering through cross-selling</li> <li>•Accessing same customers through multiple channels</li> <li>•Desire to join useful bandwagon?</li> <li>•Better MIS systems</li> </ul>	<ul style="list-style-type: none"> <li>•Customer demand- one company, less time, spent better</li> <li>•Customer demand for strategic partnership</li> <li>•Globalising/cross-boundary customers</li> </ul>
Negative	<ul style="list-style-type: none"> <li>•Pressure on margins</li> <li>•Pressure on resource</li> <li>•Organisational change/low internal cohesion</li> <li>•Need for cover for failing offer</li> </ul>	<ul style="list-style-type: none"> <li>•Mature market</li> <li>•Embarrassment in the marketplace</li> <li>•Customer loss/potential loss/pre-loss feedback</li> </ul>

## KAM Summary

- KAM is a major strategic commitment for an organisation and must be driven from the very top (with a high profile champion if possible).
- It is a long haul, but very worthwhile and probably obligatory in some markets.
- The key account selection process is of crucial importance in determining the success or failure of KAM.
- The single largest cause of failure of KAM programmes is having too many key accounts.
- The second is inadequate account analysis.
- Successful KAM requires a willingness to share and to work across boundaries in teams, for corporate rather than territorial objectives.
- The role of the Key Account Manager is crucial to the success of KAM and competencies need to be matched to the needs of the accounts.