

# How Economic and Technological Changes Have Made Key Account Management a Strategic Imperative

In the 1970s, companies like Xerox and IBM started to address their important customers as "Key Accounts". Since then, key account management has evolved in response to new technologies and massive changes in the global economy.

Today, Key Account Management:

- Builds strategic relationships with major customers
- Drives alignment within the whole organization
- Is a central, pivotal point of activity
- Delivers value to customers

#### How KAM evolved

The first generation key account management was based on geographical spread, vertical segmentation and sales data. Most of the key account management approach was opportunity driven and done through a lot of paperwork. The success of important business deals was depended highly on the personal commitment of the key account manager and his willingness to find the right support within the organization. Training focused on Professional Selling Skills (PSS).

The growing awareness of the importance of strategic accounts gradually increased the sophistication of the key account management practice and its integration into the company's organization.

The emergence of the portable PC in 1994 enabled easy availability of strategic account data through Access, independent from heavy mainframe queries. Companies like SAP and Siebel Systems proposed enterprise sales management systems as important investments.



## Challenges in the new world

Increasing complexity and the accelerating pace of changes in global and local markets urged companies to rapidly adapt their account management to new power and demands from their customers. Global trends and similar worldwide industry patterns have revolutionized the customer/supplier relationship overnight. Strategic alliances have become fast and flexible and less-clear cut. The development of sophisticated IT tools and the immediate availability of information and data emphasize the new key account challenges and the importance of organizational alignment.

Companies strategically adapt their key account management approach to keep their competitive edge and to maintain a sustainable supplier/customer relation. Most of these adaptations occur because of a handful of market changes and forces, including the following.

of many parts of the organization across a longer sales cycle.

**Sophistication:** Consultative selling implies thorough understanding of large customers' expectations to assist and train their staff and reduce their business risk, instead of just delivering a good product at a good price.

Consolidation among distributors and the rise of global retail chains have concentrated buying power in the past few years. Moreover, in many cases the client has become a competitor, producing or buying his own private label products at low cost in emerging countries.

Customer Power: With their new-found power, customers are increasingly looking to selected suppliers to give them competitive advantage by product and process development. In most sectors, mature markets have transferred power from suppliers to customers, as suppliers compete for a share of a decreasing number of customers.



Globalization: Market maturity has led to an increasing number of industries in which only a handful of truly global companies dominate the landscape. Global customers have access to the supplier's pricing models around the globe and offers from other low-cost players in emerging countries. Hence, any supplier who cannot offer a seamless service in every part of the world where the customer operates will not win the business.

Commoditization: Increasing competition in many industries and markets puts a consistent downward pressure on prices and margins. Companies try to resist commoditization by selling complex solutions that have a consulting component. Such higher margin solutions require disciplined coordination

# **Key Account Management is a strategic decision**

The broadened scope of superior key account management is reaching far beyond selling products or services to important clients with high sales turnover. It demands a new approach to the key account by including extra aspects of the client – supplier relationship.

Many companies fail to see what strategic account management is all about:

 Selling value and defining what "value" means for the key account



- Financial insight: Measuring the true profitability of the key account and identifying the key account P&L sensitivities
- Adapting local and global management approaches
- Engaging senior managers from across the business in the key account strategic planning process
- Decision making unit (DMU): Engaging the key account at the highest level in order to understand the key account's way of taking decisions, the strategic plan and needs and the way suppliers are evaluated and measured
- Consultative selling: Creating simple, effective and collaborative key account growth plans

Strategic Key Account Management has evolved from a purely opportunistic sales approach to major accounts, into a strategic company decision covering both corporate and operational aspects. It is not just another sales technique. It implies a profound organizational change. An obvious example is supply chain management: if the key account contract includes adapted supply chain and access to stock levels, it is up to Operations to provide this—not Sales.

In a recently published research article in a professional journal, the authors defined **Key Account Management Orientation** as "a system of values that reflect the supplier's ability and willingness to respond effectively to key accounts' needs". (Journal of Business Market Management (2012) 3:173–194)



### Selecting the right key accounts, and the managers...

**Effective KAM relationships** are inevitably going to be based on behaviors that derive from the attitudes of the organization. Customers can only identify and evaluate an organization's attitude based on what they see and observe, i.e., behavior.

Companies that claim "Management Commitment", "Customer Orientation" and "Inter-Functional Coordination" will have to demonstrate "Management Involvement", "Ability to Customize" and "Inter-Functional Support".

Finally, the role of Sales and Marketing needs to be calibrated according to the new key account strategy. Sales and Marketing need to go hand-in-hand and work collaboratively toward the common goal of profitably increasing revenue and customer excellence through shared processes,



resources and metrics. It will take great courage by senior managers to abolish the historically installed turfs such as Sales' "ownership of accounts" and Marketing's "ownership of product and communication". The new adapted strategy will lead to a common "ownership of results".

Aligning Sales and Marketing has been troubling to many CCOs for decades. Strategic key account management leaves no choice: There is **no other way to achieve your growth strategy** than through an aligned, commercial organization.

If your growth strategy and your corporate strategy are linked together, it is obvious that senior management is highly involved in driving the key account strategy and in supporting the crossfunctional operational backbone. The impact of the selection and the definition of the appropriate account strategy affect every department of the business and the overall company results. It is as much a senior management board responsibility as a major capital investment.

A rule of thumb is to keep the number of Key Accounts low at the start. It is easier to add a new customer to the list than it is to demote one. Even large companies like Xerox keep the number below 100 and they have more means to support them than most and have been practicing key account management for decades. Consequently you need to define the key account criteria in line

with your company strategy and stick to it. Golfing buddies of the CEO are not, by definition, strategic accounts.

Although growth strategies differ from company to company, some basic selection principles can be brought forward as "guidelines for selection":

- 1. Focus on "Value": Define clearly what the profit potential is instead of just looking at the incremental sales uplift. Also define what "Value" means for your key accounts and how you are able to meet their expectations. Some key accounts may attach more importance to supply and service than they do to pure volume or direct margin.
- 2. Define support capabilities: You need to be confident that you are able to deliver the level of support that is required by the key accounts at all stages of the "order to fulfillment and service" process. Think of customization, direct access to warehouse data, speed delivery, time to process and many others critical elements.
- 3. Identify transactional cost drivers: Here is the time to match supplier and customer expectations and to define and calculate accurately the expected return rates per account. Also include learning benefits and strategic costs such as market share capture in the global cost / benefit equation.

### **Imperatives for Strategic Key Account Management**

The table below lists the imperatives and sequences that any company needs to respect in order to excel in Key Account Management.

Strategy	Create a key account strategy driven by your corporate strategy
	<ul> <li>Build a competitive growth strategy that defines growth sources and key account added value</li> </ul>
Organization	<ul> <li>Install cross-functional teams with a multi-disciplinary approach</li> </ul>
	<ul> <li>Re-define the role of marketing and sales</li> </ul>
Management	<ul> <li>Demonstrate serious management involvement of senior managers</li> </ul>
	<ul> <li>Recognize key account management as a strategic role</li> </ul>
Measurement	Measure success and progress
	<ul> <li>Define and monitor value-adding KPIs</li> </ul>
	<ul> <li>Strive for a full costing measurement</li> </ul>
People	Define roles and responsibilities
	<ul> <li>Foster knowledge and create understanding</li> </ul>
	<ul> <li>Appoint high-level key account profiles</li> </ul>
Processes & Tools	<ul> <li>Install a key account plan structure</li> </ul>
	Install regular performance reporting



### How MCE can help you with your Strategic Key Account Management Imperatives

- Clarify the strategy with top management: Define the impact on each part of the organization and the key account growth strategy in a business transformation program workshop
- Design a solid strategy communication plan: MCE supports you in collection and integration of feedback. We involve the line management throughout the organization. We advise you on how to make better use of existing and new communication tools and technologies
- We work with you to define key account selection criteria, key metrics and KPIs: We support your HR department in alignment of metrics with the company's key performance measures
- Leadership programs for your managers: This starts from top leaders' behaviors and decisions and can include one-to-one, on-thejob mentoring
- Measuring the Alignment of People (MAP) methodology: Measures how groups and individuals understand the new strategy and how they perceive the current stage of change
- Define the talent gap and the competencies needed to implement the strategy.
- Tools and capabilities to audit your processes and to define the needed improvements for your teams

- Align the processes with the strategy: They should contribute to your chosen strategic account plan
- Tools and capabilities to audit your team processes: Define the needed improvements and actions for business process improvements
- Training in consultative selling, value-based selling, key account management and strategic plan: We train your key account managers to write and execute comprehensive strategic key account plans
- Executive team development: Modify practices, rituals and relationships so that the change can happen
- Mentoring and business coaching for executives: Results-oriented individual mentoring and coaching help your senior managers to gain the strategic account vision, the right strategic insights and leadership skills
- Job competency model and talent audit: MCE helps you to define the competencies needed to implement strategic key account imperatives. We recommend the best tools from our cadre of solution partners
- Development of managers' capabilities: MCE helps you to further develop your managers and key people with functional and cross functional workshops, teambuilding sessions and introduction of the key account growth strategy to non-commercial people

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