Key Account Management

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Introduction

Key Account Management is a strategic planning approach that goes further than traditional selling activity. It is about building symbiotic relationships within both the seller and buyer companies for mutual benefit. These relationships take time, effort and money to develop, so they must be selected carefully. If managed right, they can offer significant business opportunities and save costs for both sides.

Key Account Management is about knowing and understanding your customer and their business needs so you can help them sustain and grow their business - and simultaneously your own. By focusing extra effort on your most valuable customers, with customised services, support and even products you can build a loyal and referential customer who views your business success as a contributory factor to their own. Your revenue from your Key Customers will be under less threat from competitors and cost savings will accrue - there is less marketing expenditure in developing existing customers than finding new ones.

Research by The Cranfield School of Management has determined the following method may be useful in implementing a Key Account Management strategy:

- Understand each customer and anticipate their needs;
- Appraise their potential;
- Appreciate sources of risk, cost and profit;
- Develop appropriate strategies for each customer;
- Develop better implementation processes; and
- Monitor actions and improve results.

The Marketing Process Company provides Key Account Management packages and training that can assist with determining your Key Customers. They suggest that four weeks per customer should be allowed for:

- Key Account selection;
- Account Analysis; and
- Objectives and Strategy Setting.

A further eight weeks per customer should then be allowed for:

- Account Planning;
- Implementation and Actions; and
- Monitoring.

For more information visit:
www.themarketingprocessco.com/document_downloads/kam_proposal.pdf

However you plan to implement your Key Management programme, it should aim to:

- select the population of key accounts to be categorised;
- measure their relative attractiveness;
- evaluate your relative business strengths in each of these key accounts;
- diagnose the nature and value of your key account relationships and make a realistic appraisal of their potential; and
- prioritise and decide the appropriate 'top-level' strategies for each selected account.

Interactive Tool to help determine your Valuable Customers

The Government's Business Link service provides an interactive tool created with the Chartered Institute of Marketing that can help you determine which are your valuable customers. This tool helps you analyse the behaviour of an individual customer compared to your estimate of an average customer. At the end you'll get an appraisal and summary of the customer's value to your business, as well as links to additional information and resources.

For more information visit the Sales and Marketing section of www.businesslink.gov.uk

Differentiating your Business

Before you embark on a Key Account Management programme, you should ideally have a product or service that is in demand and has a unique selling point (USP). It could be costly to embark on a Key Account Management programme if your offering is not required or is exactly the same as your competitors, only more expensive! Your USP can change as your business or your market changes, and you can have different USPs for different types of customer. Working closely with Key Accounts can actually help you develop a USP (particularly if your differentiating factor is your company's customer care) as you learn more about your Key Accounts and their needs.

Ten things you need to know about your Customers

1. **Who they are**
   If you sell directly to individuals, find out your customers' gender, age, marital status and occupation. If you sell to other businesses, find out what size and kind of business they are. For example, small private company or big multinational.

2. **What they do**
   If you sell directly to individuals, it's worth knowing their occupations and interests. If you sell to other businesses, it helps to have an understanding of what their business is trying to achieve.

3. **Why they buy**
   If you know why customers buy a product or service, it's easier to match their needs to the benefits your business can offer.

4. **When they buy**
   If you approach a customer just at the time they want to buy, you will massively increase your chances of success.

5. **How they buy**
   For example, some people prefer to buy from a website, while others prefer a face-to-face meeting.

6. **How much money they have**
   You'll be more successful if you can match what you're offering to what you know your customer can afford.

7. **What makes them feel good about buying**
   If you know what makes them tick, you can serve them in the way they prefer.

8. **What they expect of you**
   For example, if your customers expect reliable delivery and you don't disappoint them, you stand to gain repeat business.

9. **What they think about you**
   If your customers enjoy dealing with you, they're likely to buy more. And you can only tackle problems that customers have if you know what they are.

10. **What they think about your competitors**
    If you know how your customers view your competition, you stand a much better chance of staying ahead of your rivals.

Source: Business Link

Determining your Key Customers

The 80/20 rule applies to Key Customers. 80% of your business is probably generated from 20% of your customers. Those 20% are the most obvious customers to consider when determining which customers could be key to your business. However, not all of that 20% may make suitable Key Customers. The cultural differences between your selling organisation and their buying organisation may be too great, your customer's financial stability may be unsuitable or they may just be poor payers. It is therefore important to also consider the next level of revenue generating customers.

Analysing your Key Customers

Knowing and understanding customers' needs is at the centre of every successful business, whether it sells directly to individuals or other businesses. Once you have that information, you can use it to persuade potential and existing customers that buying from you is in their best interests. Find out as much as you can about your Key Customers including their industry sector, turnover, number of employees, locations, how they use technology, how they use your products, their buying behaviour, the size and frequency of their orders and their attitudes to loyalty and risk.

Understanding your customers' business

You will be best positioned to help your Key Customers if you understand their market sector and their strategic plans for business growth within that sector. You can conduct your own market research or subscribe to existing reports on the sector. Customer specific information may come from company reports, and press releases, but there is no substitute for a relationship that results in a customer sharing their future plans directly with your business.

Determining the powerbase

A company report may show you who the most important contacts are within an organisation. However, there are often other influential individuals who effect strategic and tactical decisions but do not hold a "managerial" role that positions them on an organisation chart. This can be particularly true of specialised technical staff whose input is valued by other decision makers. Who's who: key contacts, their names, titles, roles, responsibilities and contact details, including who makes purchasing decisions.

Financial Stability

Before you expend significant amounts of money and effort on building a strategic relationship with a customer you need to ensure that they are financially stable and are expected to remain so in the foreseeable future. Try to find out how the company is performing financially, firstly from company reports and media statements, but also perhaps by running a credit check. You can find out about your customer's company performance online, from: www.accountingweb.co.uk/icc

Buying Patterns

Once you know your customer's revenue, it is helpful if you can determine what proportion of it is spent with your company, -- and the size and frequency of purchases -- and if they buy products and services from your competitors, what proportion is spent with competitors.

Evaluating your customer relationship

Truthfully evaluate the strengths and weaknesses of your relationship with your customer and their level of satisfaction.

Evaluating your competitors' relationships with the customer

Find out who your competitors are and what strongholds they currently have within the company. Evaluate their strengths and weaknesses and try to find out how satisfied your customer is with their offerings and relationship. This information can help you position your saleable benefits.

Determining a Strategy

Once you have identified and analysed your Key Customers, your next step is to determine for each customer what you want to achieve and what strategies you will need to help you meet these objectives. Your Key Customers will tend to fall into a number of categories depending on their strengths, their potential and your current relationship with them.

Customers with potential and a strong relationship

These customers are your best potential Key Customers where you can generate most revenue. You can invest time, money and effort with the confidence that it will help build a long term symbiotic relationship that enables you to work together at all levels and create mutually beneficial strategic plans together.

Customers with potential and a weak relationship

These customers promise great potential but will require an investment in time, effort and money in order to improve the relationship. You should review these customers carefully to determine which ones can be developed now into Key Customers and which ones should be monitored for future consideration.

Customers with less potential and a strong relationship

These customers may currently provide an excellent revenue stream but may be financially static or operating in a declining market sector. As such, they only warrant limited investment but should be monitored for future consideration.

Customers with less potential and a weak relationship

These customers may either not be Key Customers (even though they contribute significant business) or they may be so price-sensitive that additional investment will not necessarily reap additional rewards.

Account Planning

Having determined the strategy for each group of Key Customers, a Key Account Manager needs to be assigned for each customer or group of customers. He or she will own the operational plan and its implementation and will be responsible for managing the control and distribution of information and actions within your business.

The Key Account Manager and his team must create the written operational plan for the customer using the detailed information determined in the analysis phase. The plan will be a living document that may be updated with further information determined as and when the plan is implemented. The plan should include all the actions required to achieve your objectives with this customer. Typical actions may include:

- analysing the customer's internal operations - for example their logistical processes - to determine the day-to-day issues the customer faces;
- implementing a contact plan at various levels within the customer.

All of the actions should be resourced and owned, and have achievable measures of success. Actions and responsibilities must be discussed and agreed by everybody who is involved in working with the customer.

Research by The Cranfield School of Management suggests that an Account Plan should include the following topic areas:

- Executive summary
- Introduction and Definitions
- Customers issues and strategies:
  - Account sales history
  - Customer analysis and strategies
  - Account attractiveness
  - Customer satisfaction factors
  - Opportunities and threats
- Our Company:
  - Our strategies: corporate & customer overall
  - Our SWOT analysis
- Objectives, financial and positioning
- Our Strategies with customer
- Risks and dependencies
- Action programmes
- Control and Monitoring

The plan needs to identify the measurable results both in the short and long term for each of the strategies. You should never lose sight of what you are trying to achieve.

Implementing the Plan

Once the analysis has been considered and a written plan drawn up, the actions within the plan need to be implemented by those assigned to them. The Key Account Manager should own the plan and be ultimately responsible for its implementation. Some of the actions within the plan may result in further actions or change to existing actions. It is therefore important that all feedback is channelled centrally to the Key Account Manager.

Monitoring

The final - but important - stage of a Key Account Management programme is the regular monitoring and review of both the analysis and the implementation of the programme. Of particular importance is customer satisfaction: if the customer is not happy with your prices or service or other critical aspects of your relationship, they will not view you as a long term strategic partner! Monitoring should be designed to pick up any issues early on so that the plan can be adjusted as required.

The customer's market sector should also be monitored: knowing the trends that are going to influence your customers will help you to anticipate what they are going to need and be in a position to offer it to them as soon as they need it.

Useful Reading

- **Key Account Management: A Complete Action Kit of Tools and Techniques for Achieving Profitable Key Supplier Status** by Peter Cheverton, published (December 2003) by Kogan Page, ISBN: 0749441690
- **The Key Account Manager's Pocketbook (The Sales & Marketing Series)** by Roger Jones, (February 1997) by Management Pocketbooks, ISBN: 187047142
- **The New Successful Large Account Management: Maintaining and Growing Your Most Important Assets - Your Customers** by Robert B. Miller, et al, published (April 2005) by Warner Business, ISBN: 0446694665
- **Key Account Management and Planning** by Noel Capon, published (September 2001) by Simon & Schuster (Trade Division), ISBN: 074321188X
- **Key Account Management and Planning: The Comprehensive Handbook for Managing Your Company's Most Important Strategic Asset** by Noel Capon, published by Free Press, ISBN: B000069L5J Digital Download – visit www.amazon.co.uk for this item
- **Key Account Management in a Week** by Grant Stewart, published (March 2003) by Hodder Arnold H&S, ISBN: 0340857943
- **Key Account Management: Learning from Supplier and Customer Perspectives** by Malcolm H.B. McDonald, and Beth Rogers, published (May 1998) by Butterworth-Heinemann, ISBN: 075063278X
- **Successful Global Account Management: Key Strategies and Tools for Managing Global Customers** by Nick Speare, et al, published (November 2001) by Kogan Page, ISBN: 0749436042
- **Global Account Management: Creating Value** by H.D. Hennessey and J-P Jeannet, published (July 2003) by John Wiley and Sons Ltd, ISBN: 0470848928
- **Key Accounts Are Different: Solution Selling for Key Account Managers (Pitman Marketing S.)** by Ken Langdon, published November 2005) by Financial Times Prentice Hall
- **Unlocking Profits: The Strategic Advantage of Key Account Management** by Lisa Napolitano, et al, published (April 1997) by Strategic Account Management Assn, ISBN: 0965742202
- **Key Account Management: Maximizing Profitability from Major Customers** by John Rock, published (May 1999) by Business & Professional Publishing, ISBN: 1875680594
- **Key Account Management: Building on Supplier and Buyer Perspectives (Cranfield Report)** by Malcolm McDonald, Diana Woodburn, published (June 1999) by Financial Times Prentice Hall, ISBN: 0273644262

Further Information

Further information on The Cranfield School of Management can be found at www.som.cranfield.ac.uk/som/

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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Important Notice

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