

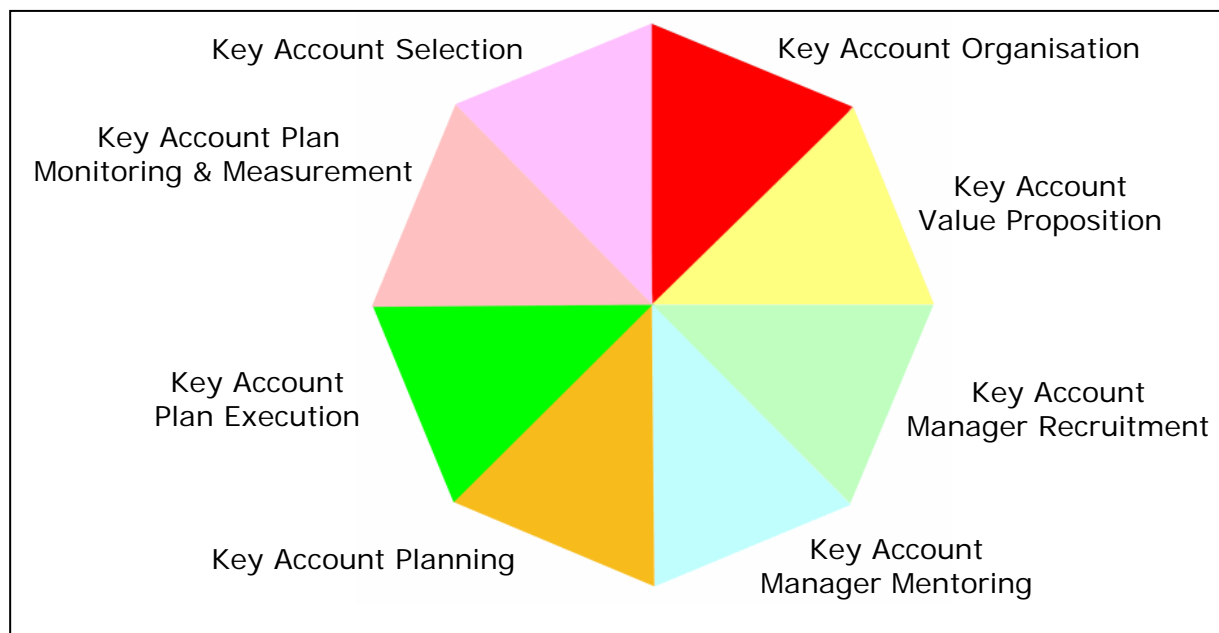
Key Account Management Programme

In recent years, Key Account Management (KAM) has become a crucial issue for many companies. Driven by some form of 80/20 rule - 80% of current or potential revenues come from 20% of customers - many companies have come to realise that these customers must be treated somewhat differently from the average customer.

However, it is one thing to recognise that these accounts should be treated differently, it is quite another to figure out exactly what to do.

Many companies are struggling to deal with these questions on a national or regional basis. Managing key accounts is a complex and difficult business.

Koru employs an 8 facet programme which focuses on the most effective ways to recruit, protect, and develop critical customer relationships:



1. Key Account Selection

More and more companies are focusing their sales effort on a smaller group of targets and customers. This has many benefits, in terms of revenue and profit generation, customer satisfaction and loyalty, effective use of sales resources, and organisational alignment.

Clearly, you can make points with key customers just by giving them additional attention. But Key Account Management implies you will work with customers on their terms. For example, maybe you have industry-leading security support, but one of your key accounts has a security expert on staff, doesn't need your support, and

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doesn't want to pay for it. However, they do want special delivery terms, and also want to talk about a unique financing arrangement. Some considerations:

- ◆ Do you understand the customer’s culture, do you have similar values?
- ◆ How much do they spend on the things you have to sell?
- ◆ Will they be as important to you in the future as they are today?
- ◆ Do you know and understand their strategy?
- ◆ Do you know your competitors’ strengths in selected accounts?
- ◆ Most importantly, how does your customer view you?

Commodity	Enhanced	Collaborative	Partner
Price differentiator	Value Add	Mutual benefit	Joint Venture
Simple service(s)	Specific service(s)	Shared Service(s)	New service(s)

At the lowest level of the buy-sell hierarchy, the account sees you as a commodity vendor, competing purely on price. At this level you will need to continue price competition unless you can move up the buy-sell hierarchy.

If you move to the right in the table above, the customer may then recognise you as differentiating on product or service quality. Given the emphasis on product and service quality in the last 20 years, in many markets quality is the price of entry. If product and service quality offer a way to differentiate, in many cases, the differentiation is short-lived. If your Key Account Manager, however, can truly start helping your accounts with business and organisational issues – helping their revenues grow, minimising their costs, positioning them more effectively in their marketplace - the relationship can change dramatically.

Few companies make it to the two rightmost columns. But those who do find their customers treat them as "trusted advisors." As difficult as these levels are to achieve, at this level of relationship, competition is almost nonexistent and value flows freely in both directions.

Unfortunately some customers would never allow this business/organisation level of relationship. They tend to see suppliers purely as vendors. If one of your ‘perceived’ key accounts does not see the value in your increased investments, or thanks you for them and asks for deep discounts, it may make little sense to keep defining them as key or to invest more in the relationship. It is a very hard lesson for some companies but some customers just want a good product at a good price - nothing more. Koru has seen customers tell suppliers to get rid of the extra services - such as a Key Account Manager - and to remove those service costs from the prices they are paying.

[Koru works with you to determine the most appropriate customers for Key Account Management.](#)

2. Key Account Organisation

Customers are increasingly evaluating companies on their ability to deploy teams. Those teams need to feature appropriate seniority for the work and the appropriate range of specialists throughout the organization.

The entire organisation must come together to work towards KAM. Wherever the key customers impact the organisation, or can be impacted, the commitment to that account must percolate through all levels, departments and functions of the organisation.

An integral element of KAM should be that all employees must be trained to accept the change and work towards a new approach. There should be an account management manual as a guidebook for the entire organisation to know which accounts are most important and why.

[Koru works with you to determine the most effective organisation structure to manage your Key Accounts.](#)

3. Key Account Value Proposition

It is imperative to craft and continually review the Value Proposition for the key account. This will change over time as the nature of the relationship changes (and hopefully deepens).

- ◆ Understand customer's needs - some only want a commodity supplier. If so, they may not be key
- ◆ Articulate value, not discounts
- ◆ Keep refreshing Value Proposition in line with customer's changing business
- ◆ Propose a mutual Value Proposition when appropriate
- ◆ Do things gradually - don't rush!

[Koru can help you to articulate strong and persuasive Value Propositions for your Key Accounts.](#)

4. Key Account Manager Recruitment

Key Account Managers are individuals who must generate profitable revenue over the long term. At the same time, they are general managers, overseeing assigned relationships as separate assets in the customer portfolio. Business people sometimes distinguish between salespeople who are hunters and those who are gatherers—those who get the business and those who manage the business afterwards. True Key Account Managers are both and neither of these classifications; they are hunters but within their assigned accounts, continually working to increase account share. They also must manage those account relationships, and be accountable for ongoing and long-term financial growth. As a 'rule of thumb' the Key Account Manager should spend 80% of his time in converting data into valuable critical information to enhance the partnership perception.

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A KAM programme by definition focuses on your biggest and best customers and prospects. Most Key Account Managers have latitude in shaping the firm's offer to these large and important customers. This latter point usually means developing a written marketing plan for an individual customer - understanding the customer's longer term goals, how their organisation makes decisions, who the important influencers are, what specific business needs you can address with your products, services, and information. Combine this with the coordination skills it takes to make sure that your entire firm is on the same page with the account and it isn't hard to see that KAM is not for everyone. This facet helps to define and agree:

- ◆ Skills and qualities needed in a Key Account Manager
- ◆ Role within the organisation
- ◆ Day to day responsibilities
- ◆ Long term responsibilities

Koru can assist you with the job specification for, and selective recruitment (either within your organisation or from outside) of Key Account Managers.

5. Key Account Manager Mentoring

For Key Account Managers, the major challenge is moving from a traditional needs based approach - exploring the customers current needs and offering products to match them - to taking a 'big picture' approach which encompasses the customer's future strategy within their own marketplace and seeking ways to add value by helping them achieve these strategic aims.

It is also apparent that a lot of their time is spent resolving issues within their own organisation that impact upon what they are trying to do within their account and their ability to further their strategy for developing it. This may require influencing a wide range of people, from shop floor to boardroom level. These are perhaps the area where the 'coach' can add most value, but given the level at which KAM's have to work, and the range of issues they need to address, Koru believes that using experienced external Key Account Managers as mentors (as opposed to coaches) has a much better chance of success.

Adding value for a Key Account Manager requires someone who can both understand the strategic nature of what the Key Account Manager is trying to achieve and the tactical organisational problems they have to address in order to achieve it.

For these reasons, directors may be the best mentors as they are probably in the best position to:

- ◆ help key account managers to think strategically and to review the business plans being developed on the basis of that strategic thinking
- ◆ help in developing a Value Proposition around how their organisation can create value for the customer beyond traditional product benefits

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- ◆ gain access to more senior levels within the target Key Account (perhaps where the Key Account Manager might struggle to get access) in order to sell this Value Proposition
- ◆ help to resolve any internal difficulties that might block new and innovative solutions and ways of doing things
- ◆ gain the confidence of the key account manager and acceptance of the mentoring approach through the help they can bring in the areas outlined above.

Koru can work with you to develop and implement an approach for the effective mentoring of Key Account Managers.

6. Key Account Planning

It is imperative that as much work as possible is done to build a good knowledge base on the client. That knowledge base should include:

- ◆ desk research into the customer's business
- ◆ revenue analysis
- ◆ review of contacts

Many organisations are tempted to produce hugely lengthy and detailed action plans as part of their key account process. We advise against this - suggesting instead that the plan should run to no more than 2 pages - and that it is regularly reviewed and updated.

Critical Success Factors should be identified in the Key Account Planning process.

Koru can work with your Key Account Managers to develop effective Key Account Plans.

7. Key Account Plan Execution

Planning is all very well but without effective execution it is worthless.

Plan execution requires a variety of skills both to manage the key customer, and the Key Account Manager's own organisation.

Two sets of politics, imperatives, and cultures may be in conflict at many stages during the relationship.

Our experience is that a regular review of the alignment between the parties, and involving both parties, greatly improves the chances of successful plan execution.

Koru can work with your Key Account Managers to execute Key Account Plans.

8. Key Account Monitoring and Measurement

During the initial stage, the first set of objectives should be met to set a standard of performance. For instance, if the objective was increased sales of brand A and this was being pursued strongly by the Key Account Manager in efficient managing of accounts, then it should result in x % increase in sales.

There should be a continuous measurement of the way a Key Account Manager handles the account and the account's performance in leveraging the product in the market. Through this process of continuous evaluation, a company can recognise key customers and pay more attention to them. This also provides an insight to the kind of service being delivered by the accounts and their satisfaction.

Periodic reviews may also identify a change in status for the account, maybe even de-selection.

Koru can design processes and advise on tools and techniques for the effective monitoring and measurement of Key Account activity.