



The sales improvement people

KoruKAM™ - Key Account
Management



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INTRODUCTION

This Document includes:

- Can you build a Key Account Management Programme in your company?
- The Koru Key Account Management Programme
- A description of Koru's Key Account Planning Workshop
- The description of Koru's Account Planning Service
- Account Manager development
- An article written for ISMM on Key Account Management
- An article written for the Thames Valley Chamber of Commerce on Key Account Management

2. Business focused account planning

- Understanding of the customer's business, its priorities and issues
- Relating these to what you have to sell

3. Creating customer value/adding company profit at the point of sale

- In a world where practically everything can be commoditized how can this be done?
- Articulating value, not negotiating discounts
- Proactive v Reactive

4. Account manager selection and development

- Would your customers pay £1000 per day for your account manager's services?
- Good sales people may not be the best key account managers
- Training, coaching and development

5. Culture

- Do you understand the customer's culture, do you have similar values?
- Do you understand the national culture; can you develop or acquire the necessary skills to be culturally empathetic?

6. Relationship building and management

- Who do you need to know and what do you have to say to them
- Relationships are built on trust, respect and mutual benefit

7. Organizational support

- Treating each customer as they were your only customer
- Management requirements

- Virtual team management

These are not the only considerations but provide the basic questions to consider before the adoption of or during, a Key Account Programme.

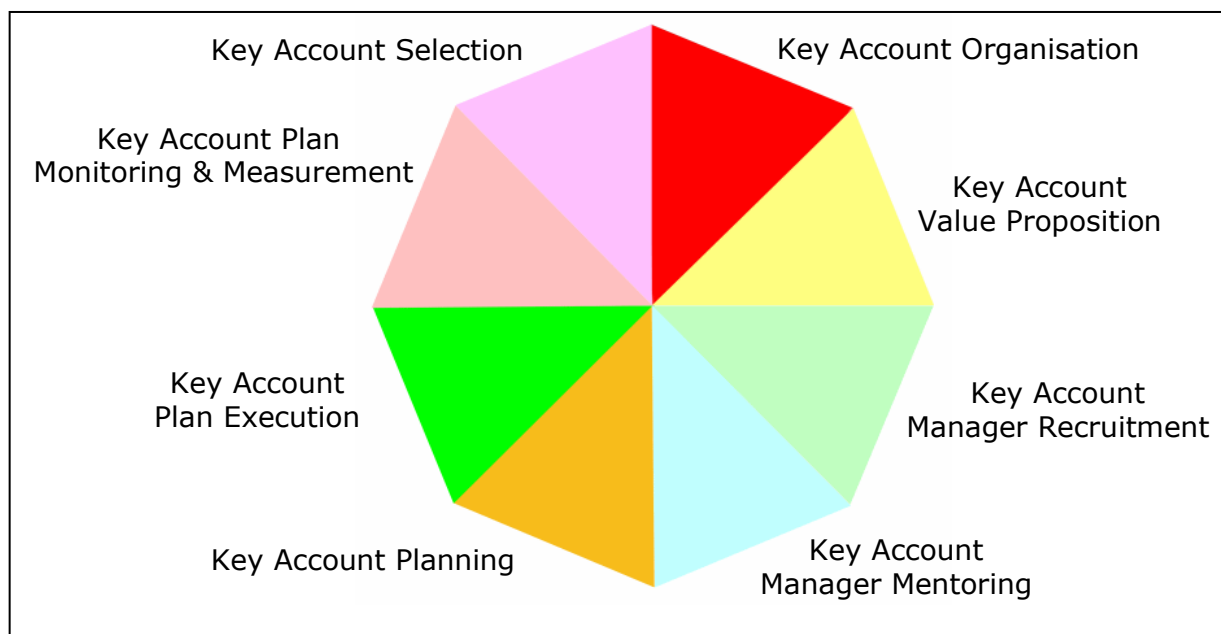
KEY ACCOUNT MANAGEMENT PROGRAMME

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

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.

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.

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!

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 20% of his time in converting data into valuable critical information to enhance the partnership perception.

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

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
- ◆ 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.

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.

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.

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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.

KEY ACCOUNT PLANNING WORKSHOP

Key Account Management (KAM) is a systematic process for managing key interactions and relationships with critical customers. Writers sometimes quote the Pareto Principle to describe strategic customers: 20 percent of them generate 80 percent of the revenue/profit. It's usually an apt comparison, although the numbers can vary dramatically if the supplier's strategy has targeted emerging or medium-sized accounts. Nonetheless, key accounts tend to provide a disproportionate share of a supplier's revenue/profit

One of the most important activities once a key account has been identified is planning. This session, hosted by Koru will help you to become more effective and focused in planning for your key customers.

Introduction and objectives

Our philosophy is to simplify the account planning process by focusing solely on what is important and that is the customer. Our approach is based upon understanding what is important to the customer and applying a company's products and services to improve the customer's business. As a result of the workshop, and the subsequent account planning, your people and company will:

- Be able to manage their time more productively
- Have a better understanding of their customer's business and business in general
- Be able to more easily sell what your customers need
- Be better aligned to service your customers
- Set you apart from your competitors
- Improve margins and profitability
- Set on the journey from being a vendor to a trusted partner

Typical Agenda

- 09:00 Coffee and introductions
- 09:30 Introduction – Why Key Account Management?
- 10:00 What you need before you start planning
- 10:30 Case study understanding
- 11:00 Work shop Customer Analysis
- 11:30 Building the Account Plan
- 12:30 Review and Open Forum

Case Study

The Case Study illustrates a typical real life situation. There are two companies involved. The first is “our (the participants’) company”, what it is we do, how we do it and what we expect from our Key Customers. The second is “our key customer”. The brief will provide enough information for the participants in the work shop to formulate an account plan for “our key customer” During the course of this facilitated interactive workshop we will:

- Verify our understanding of “our key customer’s” business - their issues and opportunities
- Define the sales strategy for the account
- Identify the sales objectives
- Evaluate their viability, and
- Structure an Account Plan from what we have learned

Afternoon Session

In the afternoon we will focus on the requirements of a real life customer (of your choice). We will go through a similar process to the workshop and will identify the big issues facing your customer and identify the key actions required to build a robust and manageable account plan. We will identify the preparatory work so that we can maximise the use of your time.

ACCOUNT PLANNING SERVICE DESCRIPTION

KoruPlan™ ACCOUNT PLANNING SERVICE

The objectives of every account plan should be to:

- Understand the financial implications of your sales approach
- Maximise your return from your customer(s)
- Protect your position against competitive threat, and
- Garner the support of your customer and sales management

The Koru approach to account planning recognises these objectives and provides an environment where account plans can be produced efficiently by maximising productive time and minimising documentation. To achieve this we provide a pre planning checklist which identifies everything needed before the planning process takes place. This preparation is primarily concerned with building a complete understanding of your customers business and positioning your company in the matrix below:

Price differentiator	Value Add	Mutual benefit	Joint Venture
Simple service(s)	Specific service(s)	Shared Service(s)	New service(s)
Every deal is a battle	Less Competition	No Competition	New Clients
Cost of Sale is high	Cost of Sale reduces	Higher Margins	Wealth Creation

POSITION YOUR COMPANY

Once this work is completed we run a facilitated planning workshop, including all members of the account team, management and if possible a customer representative, and produce an account plan that identifies:

KoruKAM™ - Key Account Management Programme

- Your objective for your customer
- Individual sales opportunities, values and customer benefits
- Sales strategy, actions and resources (human and physical)
- Sales and contribution analysis for each sales opportunity and for the customer as a whole

To achieve this we provide an experienced facilitator who has in depth knowledge and skills in account management, selling and sales management and utilises **KoruPlan™**, our own IT enabled planning tool.

The benefits of our approach are:

- We use the account teams time efficiently
- It improves their ongoing time management by focusing on the opportunities identified
- It provides a simple but numerate account plan that can be used for setting priorities and for ongoing support and review
- By engaging the customer in the process it facilitates “buy in”
- It helps position your company as a partner rather than a vendor, and
- sustains or improves overall margins and reduces competitive pressure

The account planning process can be used in both existing and potential clients and can also be used as part of the selection process for key accounts.

ACCOUNT MANAGER DEVELOPMENT – SERVICE DESCRIPTION

It doesn't really matter what key account managers are actually called, they are first and foremost sales people. They may operate differently to your "sales reps" but at the end of the month the raw measures are the same. In building a development plan for an Account Manager Koru follows the process outlined below.

Activity	Who
1. Carry out structured interview to identify strengths, weaknesses, and sales skills	Koru
2. Carry out self assessment of Knowledge, skills, attitudes and experience	Account Manager
3. Feedback and discuss results of above	Both
4. Jointly develop personal development plan (PDP) clearly identifying actions, responsibilities, timescales and critical success factors	Both
5. "On the job" coaching and mentoring. The PDP will always highlight key business issues. These will include: <ul style="list-style-type: none"> • Account planning • Prospect qualification • Call planning and call follow up • Value selling • Accompanied calls (for coaching purposes) 	Both

The benefits of this methodology are:

- Personal Development Plans are predominantly produced by the person who needs developing, they are bespoke and as a result are followed through
- The coaching is provided by operational sales practitioners with many years experience of managing key accounts and key account programmes. There is no theory in our proven methods.
- The critical success factors in the PDP are used as a part of the overall sales person appraisal to ensure their progress is not just measured against "this years numbers" but also the strategic goals of their company

ISMM ARTICLE

Eight Keys to unlock Key Account Management

As noted in Richard Higham's excellent article in the November 2006 issue of this publication, Key Account Management is enjoying resurgence as suppliers look for new ways to increase sales and profitability.

Many suppliers have come to realise that certain customers must be treated somewhat differently from the average customer. However, it is one thing to recognise that they should be treated differently, it is quite another to figure out exactly what to do. Many suppliers are struggling to deal with these questions on a national or regional basis. Managing key accounts is a complex and difficult business.

This article offers some advice in selecting, preparing for, and managing key accounts.

Key 1: Account Selection

More and more companies are focusing their sales effort on a smaller group of prospects 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. Surprisingly, very few companies apply any rigour to the process of selecting key accounts. This is patently unwise, as poor account selection virtually guarantees that some of the accounts chosen will not deliver a good return on investment.

Companies moving into key account management are sometimes tempted to start big - either by starting their program with too many accounts or by simply declaring their largest revenue producers key accounts (whether or not they are profitable). The danger in choosing customers solely for their revenue levels is that you may find yourself making large investments for little or no return.

In addition to historic revenue patterns other things to consider are:

- 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 customers?
- Most importantly, how does your customer view you?

Key 2: Account Organisation

Customers are increasingly evaluating suppliers on their ability to deploy teams. Those teams need to feature appropriate seniority for the work and the appropriate range of specialists throughout the supplier organisation. Critical elements of the supplier organisation are:

- **Top down support.** It is vital that a key account programme is positioned in the company as core to the business. It is not just another marketing department initiative. The best indication of this is positive support from the board to any programme.
- **Internal Communications.** Not only is it vital to demonstrate how important the programme is from the outset, but it is critical that momentum is sustained by an energetic internal communications programme.
- **Accountability.** Wherever key customers impact the organisation, or can be impacted, the commitment to that customer must percolate through all levels, departments, and functions of the supplier. Team working and accountability is essential.
- **Change Management.** 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 supplier organisation to know which customers are most important and why.

Key 3: Value Proposition

Research repeatedly shows that "understanding the customer's business" is a critical factor in the framing of any Value Proposition for a key customer. The Value Proposition will change over time as the relationship progresses (and hopefully deepens).

- Understand customer's needs – some only want a commodity supplier. If so, they may not be key!
- Articulate value, not costs

- Keep refreshing any Value Proposition in line with the customer's changing business
- Propose a mutual Value Proposition when appropriate
- Do things gradually – don't rush!

Key 4: Account Manager Recruitment

Key Account Managers are individuals who must generate profitable revenue over the long term. While they are salespeople their knowledge and skills base are wider and must encompass general business management, board level communications, consultative selling, and thought leadership.

Key 5: Account Manager Mentoring

For Key Account Managers, the major challenge is moving from a traditional needs based approach – exploring the customer's 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. This is a more consultative sales approach and requires a different skill set to that of a traditional salesperson.

Directors may be the best mentors as they are probably in the best position to:

- help 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
- help the Key Account Manager gain access to more senior levels within the customer 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

Key 6: Account Planning

Key Account Management by definition focuses on your most profitable customers and prospects. This usually means developing a written sales 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. It is imperative that as much work as possible is done to build a good knowledge base on the customer.

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

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7. Key 7: 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 customer, and the supplier organisation. Two sets of politics, imperatives, and cultures may be in conflict at many stages during the relationship.

A regular review of the alignment between the parties, and involving both parties, greatly improves the chances of successful plan execution.

Key 8: Monitoring and Measurement

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

There should be a continuous measurement of the way a customer is handled and the customer's performance in leveraging the product in the market. Through a process of continuous evaluation, a supplier can recognise key customers and pay more attention to them.

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

Sustaining the momentum

One of the great challenges of key account management is keeping the process fresh and sustaining the initial level of enthusiasm. Checklists and paperwork will not achieve this. Only a combined determination from all will maintain the momentum.

Do	Don't
Take time in considering which customers are key	Rely on history – it is not necessarily a reliable guide to the future
Make certain support is forthcoming for your programme from the Board down	Assume that it is! Continually check that support continues to be forthcoming
Make sure there is a team mentality and people have bought into the different way of working with key accounts	Dress up traditional selling as KAM as it will not deliver what you and your customers want
Understand your customer's needs – discuss them with different customer staff	Try and guess your customer's needs – the outcome may be unexpected!
Craft a compelling Value Proposition based on your customer's needs	Depend on 'one size value propositions' which do not fit all customers
Be a thought leader so your customer treats you as a partner	Try to sell solely on cost otherwise you will be seen as a commodity supplier
Plan>Check>Do>Review	Treat any plan as static and a one-off exercise
Set and agree Key Performance Indicators for the relationship that are relevant to your business	Treat revenue as the sole value measure of the relationship

Contributor

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THAMES VALLEY CHAMBER ARTICLE

The search for competitive advantage

What is it that makes your company different from your competitors? Is it the same as it was five years ago, and will it be the same in five years time? Clearly I am not in a position to answer the first question, but I would place an odds on bet that the answers to the second one are no and no. Competitive advantage is transient. Price, innovation, route to market, time to market, brand, quality and reputation are clear differentiators but they are not sustainable. The best price today may not be tomorrow, ask Asda; the best brand and quality is similar, just ask Marks and Spencer, and it doesn't take long to lose reputation. Gerald Ratner, and the Administrators of Andersen's will confirm that.

The fact that these attributes come and go is the perfect reason to find something which is sustainable. I would contend that in a business to business environment, value selling has this sustainability property. Value selling also helps companies to sell more, sell better and sell faster. The best place to start is with a quote from Warren Buffet, the famed US investor. He said "Price is what you pay, value is what you get". This does not necessarily mean that the lowest price is the best value, although it may. Rather it associates the return (value) with the investment (price). This is one of the keys to good selling, maximise the customer benefits for the profit the seller will accept. The only real way that this can be achieved is to have an intimate understanding of the customer's business, and to proactively sell products and services. This is good selling. Set the agenda rather than responding to customer's requirements, as in many cases someone else has set the basis of decision.

Value selling can be achieved in a number of ways but the most common method is Key Account Management (KAM). KAM is about deploying sales resources in the areas that will deliver the best return on a sales investment. Key Account Managers are much closer to business consultants and managers than they are sales people. They are the ones who will translate their customer's challenges into the products and services their company has to deliver, and if their company cannot deliver, they will identify the strategic partnerships needed to meet their customer's needs. This extends their company's portfolio and enhances their relation with their customer. The seller's organisation must be aligned in the same way so that your key (most valuable) customers receive the level of service that drives customer

