Buddy LaForge and Thomas Ingram, *Editors*

Key Account Management

Strategies to Leverage Information, Technology, and Relationships to Deliver Value to Large Customers

Joël Le Bon
Carl Herman

BUSINESS EXPERT PRESS

Key Account Management

Key Account Management

Strategies to Leverage Information, Technology, and Relationships to Deliver Value to Large Customers

Joël Le Bon, PhD
Carl A. Herman, MBA

BUSINESS EXPERT PRESS

Key Account Management: Strategies to Leverage Information, Technology, and Relationships to Deliver Value to Large Customers

Copyright © Business Expert Press, LLC, 2015

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopy, recording, or any other except for brief quotations, not to exceed 400 words, without the prior permission of the publisher.

First published in 2015 by
Business Expert Press, LLC
222 East 46th Street, New York, NY 10017
www.businessexpertpress.com

ISBN-13: 978-1-63157-174-9 (paperback)
ISBN-13: 978-1-63157-175-6 (e-book)

Business Expert Press Selling and Sales Force Management Collection

Collection ISSN: 2163-9515 (print)
Collection ISSN: 2163-9582 (electronic)

Cover and interior design by S4Carlisle Publishing Services
Private Ltd., Chennai, India

10 9 8 7 6 5 4 3 2 1

Printed in the United States of America.

To my wife Caroline and our globetrotters
Clément, Valentine, and Mathilde

To my sister Isabelle
who initiates key projects with governments for the less fortunate

—JLB

To Randi and our eight progeny
To Joël who believed we could do this

—CAH

Abstract

Now more than ever, companies are faced with a critical and challenging truth. Today's customer is demanding more attention, superior service, and the expertise of a dedicated sales team. Suppliers must make difficult choices to determine how to allocate limited resources, including which customers receive the highest level of service. Increasingly, supply side organizations are working to design and implement key account programs to meet or exceed these expectations. Key account management is a specific business strategy that involves complex sales processes, large-scale negotiations, and the alignment of multiple internal and external stakeholders. This multi-pronged process is anything but straightforward, and the business world is filled with examples of key account programs that have not achieved the expected results. This book addresses the strategic challenges facing top executives and sales leaders as they build strategies to better manage their key accounts.

Through a new approach to the selling center and the buying center concepts, the text offers sound, experiential solutions to better manage large customers, resulting in co-creating value for both the supplier and the customer. Moreover, the authors describe how to leverage customer relationship management (CRM) technologies to streamline the selling center and the buying center with more team collaboration, data accessibility, and readiness.

The objective of key account management is to increase the value of the relationship to the stakeholders of both organizations. To achieve this value optimization, the authors have integrated the processes/objectives/planning of key account management and sales effectiveness while leveraging information, technology, and relationships. To this end, this text provides direct, action-oriented answers to the following key questions: When should a key account program be implemented and when should it not? How does one align key customer and supplier interests? How to manage the selling center and the buying center? How is value co-created for key customers and suppliers? How can complex customer and supplier processes be streamlined through CRM systems to better integrate the buying center with the selling center? How can key account programs

maintain and grow market leadership through key account managers' critical role?

By leveraging up-to-date research, testimonials drawn from interviews with experienced practitioners, best practices of successful companies, along with straightforward practical guidelines for executives and sales leaders, this book can serve as an instruction manual and toolbox for organizations working to achieve success through their key account strategies to meet the demand of their key customers.

Keywords

Key account management, key account managers, large customers, complex sales, selling center, buying center, buyer–seller relationships, sales management and leadership, value co-creation, collaborative CRM, sales technology.

Contents

Acknowledgments .... *xi*
Preface .... *xiii*
Introduction .... *xv*

Chapter 1 Key Account Management, Organizational Alignment, and the Selling Center 1
From Treating All Customers Alike to a Key Account Strategy 1
Implementing Key Account Management in Complex and Dynamic Companies 17

Chapter 2 Building and Delivering Value to Key Accounts 45
Integrating the Selling Center with the Buying Center 45
Value Analysis and Delivery to Key Accounts 70

Chapter 3 Leveraging Collaborative CRM and Technology 89
The Value of Collaboration and Information in Key Account Management 89
From the CRM Concept to CRM Value for Key Accounts 106

Chapter 4 Business Customer Marketing and Key Account Development 115
Marketing Strategy and Analysis for Key Account Customers 115
From Key Account Development to Market Leadership 132

Conclusion *140*
Biographies *143*
References *147*
Index *151*

Acknowledgments

We thank Buddy LaForge and Thomas Ingram, co-editors of the Selling and Sales Force Management collection, for their support and feedback on a previous draft of this book.

Preface

Throughout its 50 years of existence, the Strategic Account Management Association (SAMA) has seen constant transformation in the art and science of managing customer relationships. As the present CEO of SAMA, my vision of sales, based on multiple concrete benchmarking examples, is this: Either sales are transactional and eventually will go to both the web and the channels, or sales are high-touch, high-value. And the best way to manage this will be through strategic account management/key account management/global account management (SAM/KAM/GAM). Furthermore, we at SAMA always stress that SAM is not a sales strategy. It is a corporate strategy.

At the core of SAM/KAM/GAM is the strategic value co-creation process. The strategic value co-creation process is, simply stated, how you (the strategic customer) and we (the strategic supplier) will make more profits. At the core of strategic value co-creation are the following key questions: Are all our key clients ready to co-create with us? Do we have the right customer relationships to drive value? How do we drive change management within our sales teams? How do we address sales productivity and monitor sales performance? And how does this fit into the CRM system?

The book, *"Key Account Management: Strategies to Leverage Information, Technology, and Relationships to Deliver Value to Large Customers,"* addresses most of the above questions. It gives a very complete, comprehensive, and easy-to-understand description of the critical elements of SAM/KAM/GAM initiatives and of the critical enablers, which are information, technology, and relationships.

The book introduces the *Selling Center Alignment Process* (SCAP), which explains the way the supplier must organize. It also proposes the *Key Account Management Process* (KAMP), which specifies a formalized plan to orchestrate effective working relationships with large customers. Last but not least, it defines how adapted CRM systems help develop customer relationships.

We all know that basic CRMs are insufficient and even somewhat irrelevant to the effective management of strategic customer relationships and to the strategic value co-creation process. The merit of the book is to show that, by integrating the three key elements—SCAP, KAMP and adapted CRM systems—you compensate for the inability of basic CRM systems to help the strategic value co-creation process. In the book, the description of CRM CAR, which stands for *Collaboration, Accessibility* and *Readiness*, shows how adapted CRMs thoroughly help SAMs and KAMs manage the complexity of their job.

I would like to praise the authors of the book, Joël Le Bon and Carl A. Herman, both for recognizing the critical importance of technology and CRM systems in the art and science of managing strategic customer relationships, and also for proposing an enhanced and unified Customer Relationship Management process that will undoubtedly make the job of the SAM/KAM/GAM more effective.

Bernard Quancard
President & CEO, SAMA
The Strategic Account Management Association

Introduction

Modern companies, seeking to sell to today's customers, confront a critical and challenging truth: Those customers are remarkably savvy. They demand more attention, superior service, and the expertise of a dedicated sales team. They know a great deal about the marketplace, pricing trends and features, and which competitors are available. They also continue to grow increasingly savvy, knowledgeable, and informed about their options all the time.

In response, suppliers are forced to make increasingly difficult choices about how to allocate their limited resources and which customers to prioritize by providing them the highest level of service. Even suppliers that promise to provide every client with the same excellent level of service cannot treat all customers equally—nor should they want to. Instead, for virtually every business-to-business sales organization, at every level, disproportionately large shares of their revenues and profits come from a relatively small subset of customers. Having identified these top-tier customers, it remains up to the supplier to decide how to treat them and how much to invest in offering them higher levels of care, though a supplier that chooses not to invest more in its relationship with these valuable customers will confront another own set of uncomfortable, unfortunate consequences. Treating all customers the same means that each customer, even the biggest most important ones, has the same potential to leave or stay with a supplier and increase or decrease supplier's business.

Organizing, implementing, and managing a successful key account program is one of the most challenging strategic initiatives a supplier can undertake. This book is written to help organizations navigate this challenge. It is the best of both worlds, grounded in rigorous academic research and balanced with pragmatic and implementable real world ideas. This work is more a workbook than a text with multiple specific ways to create a viable key account program and then manage it, and the accounts.

In Chapter 1 we begin by clearly articulating why supplier organizations should manage their key accounts differently. Then we discuss how

to identify them, and how to create teams to manage them. We introduce SCAP, *the Selling Center Alignment Process*, to identify the members of the key account team and the roles each member plays wherever they are. Indeed, the selling center is geographically and organizationally dispersed. Members are often part of many different business units. Customers have multiple "touch points" into the supplier organization—and multiple virtual places to talk about the supplier outside of either organization. This is why an alignment process is needed.

Chapter 2 is about the customer, and large ones. What is value for large customers? What is the complex sales process that is necessary to effectively manage and sell to the key account and create the identified customer value? Once we understand the process, we discuss how the selling center works with the account's buying center using a unique new concept, KAMP, *the Key Account Management Process*. In fact, the sales process for large customers is neither sequential nor simple. It is about managing long-term and complex projects with multiple stakeholders of diverse expectations from the buying center and the selling center; a situation which can be challenging without specific guidance.

Today the use of technology to manage customer relationships can be a competitive differentiator for supplier organizations. For key account management, the primary technology should be customer relationship management (CRM) systems. But, more often than not, attempts to use CRM are not successful. In Chapter 3 we clarify why technology is so valuable in the key account context, why it is difficult to implement successfully, and how to overcome these difficulties. We introduce CRM CAR for *Collaboration, Accessibility, Readiness*, to depict what top executives should be looking for and driving when leveraging CRM technologies for key account management.

Finally, in Chapter 4, we connect corporate and marketing strategy to the key account program we have now defined and are ready to implement. We discuss how critical key accounts are to a successful marketing strategy. We describe key account portfolio management and explain how key account managers can differentiate the value proposition to retain and grow the most interesting customers. We also emphasize the sales

leader role key account managers should undertake and describe how they can coach the buying center.

We conclude showing how SCAP, *the Selling Center Alignment Process*, KAMP, *the Key Account Management Process*, and CRM CAR, *Collaboration, Accessibility, Readiness*, perfectly blend together when describing the realm of key accounts and eventually present SCK to *Secure the Customer Kingdom*.

Managing large, complex, and demanding customers is challenging, rewarding, and fun. It is also always stressful and at times frustrating. We hope the ideas, concepts, and frameworks developed in this book will help make key account programs and management an enjoyable and valuable experience.

CHAPTER 1

Key Account Management, Organizational Alignment, and the Selling Center

In many ways a firm's most valuable financial asset is its customer base.
—Don Peppers and Martha Rogers

Setting up a key account program and strategy requires a careful analysis of the customers as assets, along with the suppliers' strengths and weaknesses. Because selling to large customers consists of multiple stakeholders, key account programs should be built upon a clear vision and specific organizational resources which need to be aligned. In this chapter, we specify the criteria that help define key account customers and define selling centers' structure and behavior. We also provide a framework for aligning the selling center with the key account strategy.

From Treating All Customers Alike to a Key Account Strategy

Customers as Assets and Key Accounts

Workman, Homburg, and Jensen define key account management as "*the performance of additional activities and/or designation of special personnel directed at an organization's most important customers.*" They further define key account management effectiveness as "*the extent to which an organization achieves better relationship outcomes for key accounts in comparison with average accounts*."[1] Key account management represents a specific business

strategy involving complex sales processes, large-scale negotiations, and the alignment of multiple internal and external stakeholders. The decision to implement a key account program stems from two separate conclusions reached by a supplier:

- Our largest and best customers are critical to our success and must be managed differently.
- To ensure our success with these critical clients, we must proactively change our organization.

When it invests in a key account management process—identifying key accounts, gaining an understanding of their business and their needs, and designing a sales effort to meet those needs and then anticipate what's coming next—the supplier side anticipates the long-term retention and growth of its most valuable client resources. Yet the multi-pronged processes for achieving these outcomes are anything but straightforward, and the business press is filled with sad examples of key account programs that have fallen short of expectations. Therefore, this chapter begins with some suggestions for helping managers in a supplier organization arrive at the two key conclusions.

Multiple factors lead to the company's ultimate decision to shift its organizational perspective to recognize the primary importance of its most valued accounts. To understand the factors that lead to this shift, this chapter explores both historical customer relationship trends and some persuasive customer management concepts. Taken separately, each element makes a case for a key account focus; taken together, they leave little doubt that making the strategic decision to transition to a key account strategy is determinant of the continued success of most business-to-business (B2B) suppliers.

Historical Trends Supporting a Key Account Strategy

In his 2001 book *Key Account Management and Planning*, Noel Capon identifies three multi-decade trends that have prompted greater reliance on key account strategies:[2] (i) increasing account concentration, (ii) the

rising importance of procurement, and (iii) changes in the supply chain or the procurement process. To this list, we add (iv) the expanded use of technology to manage key accounts.

Increasing Account Concentration. The consolidation of buying power in the B2B sector over the last decade has increased the importance of key account management.[3] There has been a trend since the middle of the 20th century from industries with many small and medium businesses to oligopolistic industries with a small number of very large companies. In 1972, 16 percent of the packaging industry's revenue came from five customers. By 1996, the industry's top five customers were responsible for 76 percent of revenue.[4] Looking at it from another angle, the value of public (large) companies as a percentage of current gross domestic product is two and one-half times what it was in 1980. Further, adjusted for inflation, the 500th largest industrial corporation in 1955 had revenues of $436M; in 1980, $1,242M; and in 2013, $4,955M—more than a 10-fold increase, in today's dollars, in the size of the 500th largest company.[5]

These rising sizes parallel an oligopolistic trend in many industries, driven by factors such as globalization, size-based efficiencies, and merger and acquisition activity. Thus industries as varied as the financial services, health care, airlines, automotive, and energy sectors all have experienced significant consolidation.

Whatever the reason, suppliers have fewer and larger customers than in the past, which makes each of these huge customers more important. To grow, suppliers must pursue this shrinking customer list, and the financial impact of losing just one customer is substantial.

The Rising Importance of Procurement. Similar to a trend in many business schools, supply chain management is the fastest growing major at the Bauer College of Business at the University of Houston. In Houston, as elsewhere, demand for undergraduate students with a strong educational background in supply chains is intense, driven primarily by the large global companies with operations in the area. Manufacturing and

production also are becoming more capital and equipment intensive but less labor intensive. In turn, purchasing expenses, as a percentage of revenue, are increasing, whereas the labor expense ratio is decreasing, which also makes the procurement function more important.

Many companies also are divesting themselves of their non-core businesses, rather than persisting in the previous trend toward vertical integration. The focus on core concentration increases the importance of procurement, because companies now must purchase materials and services that they might have sourced internally in the past.

Finally, demand for lean manufacturing techniques, which prioritize the speed and accuracy of the supply chain, makes procurement capabilities even more important. As Dave Schneider, Continuous Improvement Manager at Dell America, notes, "*our close relationships with customers and suppliers allow us to know what we must be able to supply in real time, and then very quickly and precisely meet that demand while maintaining low inventory.*"[6]

Changes in the Supply Chain or the Procurement Process. As Dan Domeracki stated when he was Vice President of Government and Industry Relations and former Director of Global Accounts at Schlumberger International, "*in the last three years, our largest, most important global accounts have implemented strategic sourcing and strategic procurement practices.*"[7]

In the late 1990s, Chevron rationalized its global supplier list by reducing its total number of suppliers by 80 percent, then segmenting the remaining 20 percent into five categories. The top two segments were designated "strategic," and suppliers in these two top tiers were essentially required to create a key account program for Chevron. Between the late 1980s and mid-1990s, General Motors reduced its suppliers by 45 percent, from 10,000 to 5,500; in a similar period, Motorola instituted a 90 percent reduction, from 5,000 to just 500 suppliers.[8]

Even as procurement has become more centralized, it has gone global. In a recent project the authors of this book undertook, we provided services to a *Fortune* 100 industrial services firm. After signing the contract in Houston, we delivered the services throughout Texas and the Midwest, but the client's procurement functions had been centralized

in Manila. Such simultaneous centralization and globalization of procurement can strain existing seller–buyer relationships in many companies, which may be the intended goal. By minimizing the significance of these relationships, a greater emphasis can be placed on price and procurement terms.

The supply chain and procurement functions have become much more strategic at many companies. It is a competitive differentiator for such diverse companies as Dell, Apple, Southwest Airlines, BP, Procter and Gamble, and Wal-Mart. As supply chain management becomes a more critical component of a firm's overall strategy, the supply chain function and management become more important in the organization, often becoming a member of the C-Suite reporting directly to the President or CEO. This is the reality that Dan Domeracki at Schlumberger referred to above. Today, the Schlumberger global account directors that work with Schlumberger's largest customers, such as Exxon, BP and Chevron, work with senior supply chain executives that report to the President or other members of the C-Suite. Just a few years ago their relationships were with mid-level procurement managers in each of their customer's business units.

The Expanded Use of Technology to Manage Key Accounts. Since Capon's seminal work, changes in technology have had a profound effect on a supplier's relationship with all its customers. The impact on a supplier's most important customers can be a positive one, increasing the mutual value of the relationship, or a negative one making it easier for a customer to switch suppliers. We will discuss four major changes in key account relationships caused by recent technology innovations:

1. Supply chain integration
2. Collaboration and communication
3. Innovation and co-creation
4. The impact on the cost to switch suppliers

One of the most important technology innovations of the last few years is the integration of a customer's complex supply chain among multiple suppliers. In many cases today's largest customers require this

integration from their suppliers. One well known example is Procter and Gamble's (P&G) integration with Wal-Mart. P&G monitors inventory levels for its products at Wal-Mart stores and is responsible for delivering the right amount of product to the right stores at the right time. This is an example of the integration of the buying and selling process within the supply chain. Another example from the B2B sales world would be the integration of the request for information (RFI) to payment process. In this case communications and information technology solutions integrate the RFI to request for proposal (RFP) to procurement process; then the procurement to delivery process; then the delivery to invoice to payment process. Leaders in the IT industry have this integration with their customers today. IBM, Microsoft, Dell, and Apple all provide direct supply chain and payment integration through their websites with their best customers' procurement organizations. They also provide a level of direct, project-related support using today's available technology. Grainger, a multi-national supplier of commercial and industrial operating products, uses information technology to seamlessly integrate their maintenance and repair (M&R) supplies system with their best customers' stores inventory, contractually allowing Grainger to automatically place orders as needed. This use of technology significantly increases the competitive barrier to Grainger's competitors and helps reinforce Grainger's importance to its most valued customers.

Technology has also been the catalyst for sales organizations to adopt a leading-edge use of collaboration and communication technology, which can increase the value and "stickiness" of a company's key account relationships. Today's technology includes the ability to easily collaborate and communicate. This means geographically and functionally dispersed buying centers collaborate on significant procurements. Equally globally and functionally dispersed selling centers collaborate on significant sales opportunities. And, in the key account environment, buying centers and selling centers all geographically and functionally dispersed collaborate together increasing efficiency and, for the selling center, creating a potential barrier to competition. The selling center is described later in this chapter, the buying center is discussed in Chapter 2, and the ability for all these groups to communicate and collaborate is described in Chapter 3 when we discuss customer relationship management (CRM).

Looking only slightly forward into the future the impact of technology includes the ability to integrate the product development and innovation processes into co-creation opportunities. In fact, a willingness to collaborate on design and development was a requirement for many suppliers bidding to become part of the Boeing 787 Dreamliner team.

Switching-costs, the cost a customer company incurs when switching from one supplier to another, have major implications for a company's relationship with its most important customers. In the past, suppliers had the small comfort of knowing that, in order to coax a customer away, a competitor would need a truly significant advantage, since minor discounts or slight differences in quality and service often did not warrant the cost the customer would incur during the process of switching suppliers. In short, it was expensive to change vendors and products. Suppliers had that knowledge and felt a little more secure in their customer relationships because of it.

Because of technology, the tasks of researching, negotiating, purchasing, and learning to use new products and services are commonplace outside the customer's organization. Just a few years ago, to look for a part to repair a broken pump or add memory to a computer a buyer looked at internal documentation or called the supplier and spent time (sometimes lots of time) on the phone determining the correct part. Today, as we all know, we *Google* it. That's very productive, but provides an opportunity to look at many suppliers for that part or memory. That easy, seamless opportunity was not there just a few years ago. This is one of many examples of how technology often reduces the cost of switching suppliers.

Customer Management Concepts Supporting a Key Account Strategy

Shifting away from the notion of treating all customers as if they were of equal importance to the organization, and moving toward a more profitable key account focus, should result from a close consideration of a customer's value, in accordance with three customer management concepts:

1. Customer lifetime value (CLV) (or customer asset or customer equity)
2. Unrealized potential value (UPV)
3. The Pareto principle (or 80/20 rule)

We introduce these three concepts here as further justification for implementing a key account strategy. We will discuss them in more detail later when we use them to help us choose the specific customers to include in our key account program.

Customer Lifetime Value. Customer lifetime value represents the expected revenue a supplier can earn from a customer over the life of the relationship, less the cost of that relationship. The performance of the customer asset, as with any asset, should be monitored over time. CLV should be discounted to a net present value (NPV) to facilitate comparison and ranking across customers. Customers ranked at the top of this list are likely the most critical to the long-term health of the supplier.

Most CLV models rely on an assumption of some customer volume consistency, such that the supplier can expect some customer turnover over time, and this turnover generally is consistent. Subject to economic conditions, existing customers also likely purchase similar sets of products and services in similar quantities each year. The greatest potential for additional profit involves products and services that the supplier currently is not selling to the customer. Therefore, the CLV and customer asset concepts, which assign value to customers by assuming consistent buying futures, can leave suppliers with incomplete insights and an inaccurate ranking of each customer's long-term strategic importance. That is, even though CLV is critical information for sales organizations, the information it represents becomes useful only in concert with an analysis of those customers' UPV.

Unrealized Potential Value. Unrealized potential value refers to *the amount the sales organization theoretically could increase the value of a particular customer if it applied a strategy for doing so.*[9] One of the most effective of these strategies is implementing a key account program. UPV can be thought of as the combination of cross selling, up-selling, and co-creation. *Cross selling is adding products and services to the ones currently being sold to an existing customer.* These are products and services the supplier already has in their product catalog. *Up selling is selling more of the same products and services a supplier is currently selling to a customer.* This is usually accomplished by selling these same products to additional

business segments or geographic markets. *Co-creation is collaborating with the customer to develop and sell new products or modify and sell existing ones to meet a specific need of that specific customer.* A company's opportunity for organic growth relates directly to the UPV of current and future customers—from the supplier's perspective, that is. From the customer's perspective, potential value refers to their needs. This distinction is important: The upper limit of any customer's value must be defined by that customer's need, not by the supplier's current product or service offering.[10] It also leads to the following dictum: *A Customer's UPV is Almost Always Greater than its CLV.*

For a supplier to increase its customers' profit potential, it needs to understand that the greatest potential for growth comes from tapping those product and service needs that it currently is *not* meeting. The products and services *not* being sold to the customer represent its current and future needs, which often holds greater profit potential than the needs that the customer believes already are being met. We offer some additional examples and further exploration of the UPV concept when we present the Open Space concept and analysis later in this chapter.

The Pareto Principle (or 80/20 Rule). The Pareto principle serves as a sort of crosscheck, able to validate or challenge the outcomes of the CLV and UPV relative customer value analyses. Also known as the 80/20 rule or "The Law of the Vital Few," the Pareto principle states that in many situations, *roughly 80 percent of any effects result from 20 percent of the causes*. The origin of the concept is widely attributed to management consultant Joseph M. Juran, who named it after Wilfredo Pareto, an Italian economist who observed in 1906 that 80 percent of the land in Italy was owned by 20 percent of the population. He also noted that about 20 percent of the peapods in his garden contained 80 percent of the peas.[11]

The effect goes beyond land and peas. In virtually all corporations, some form of the 80/20 rule operates, including in relation to earnings: 80 percent of a firm's revenues come from 20 percent of its customers. The disproportionately high (current and potential) volume, high profit

customers represent the firm's critical assets. Even if they are not clearly distinguishable on a balance sheet, they are more important to long-run survival and growth than many of the firm's fixed assets.[12]

Whether companies use these three concepts explicitly or implicitly, two undeniable conclusions remain:

1. A disproportionately large share of a company's revenue and profit come from a small percentage of their customers.
2. Retaining and growing these customers is critical for continued success.

By employing the customer management concept trifecta (CLV, UPV, and the Pareto principle), suppliers can, and should, identify and rank the few customers who represent the greatest prospect for achieving success. Perceiving these accounts on the basis of their potential value all but crystallizes the case for key accounts.

The Case for a Key Account Strategy

Let's summarize the case for a key account strategy. First these four trends: increasing account concentration, the rising importance of procurement, changes in the supply chain or the procurement process, and the expanded use of technology to manage key accounts make a key account strategy a natural extension of the marketing strategy for many suppliers. Second, and more persuasive is the reality of the value of a company's largest accounts.

A practical exercise will prove the point best. Create a list of all your customers based on the total revenue (or gross margin) for each customer for the last 3 years, ordered from most to least revenue. We did this at the Bauer College of Business's Sales Excellence Institute in regard to our customers. When we create this list for our organization we reach 50 percent of our total revenue at the 16th customer out of the 3,776 customers in our database. We reach 40 percent of our revenue at the 8th customer. We have the resources to support about 24 key accounts. Those 24 provided 64 percent of our three-year revenue total. A *Fortune* 100 B2B firm we work with did this analysis and found that 57 percent of total revenue was

reached at the 19th customer on their list of 2,700 customers. Customer value is usually even more concentrated if a supplier uses CLV or UPV to order the list. This is consistent with what many suppliers find today when they perform this analysis: they have a small number of large, powerful, strategically important customers.

Because innovative concepts and cutting-edge analytical tools make it possible for suppliers to identify the customers that are the most valuable and most profitable, as well as those that have the potential to be of even greater value to its company's future success, there is a clear means to achieve the benefits and avoid the threats of the current competitive marketplace. A supplier's most important asset is its key accounts; creating and investing in a strategy to retain and grow those accounts is one of the most important and effective means of ensuring long-term success. It is also the topic to which the remainder of this book is devoted.

Retention Versus Growing Versus New Accounts

An industrial chemical company with which we have worked takes a simple, three-pronged approach to managing customer relationships, all with an action focus: retain, grow, and gain. When it comes to key account customers and management, the focus should remain on retain and grow.

The first order of business is to *retain* existing profitable customers, because protecting the customer and revenue base is a central determinant of financial performance, every single year. Next, the firm seeks to *grow* these same customers. According to the company that employs this three-tiered approach, and as research confirms, it is easier and more profitable to sell new products and services to existing profitable customers than to sell to new customers. Finally suppliers must work to *gain* new customers. Independent of any sales organization's best efforts, some customers defect each year. Replacing them with new customers is required, just to maintain current performance, much less expand. Retaining and growing existing customers rarely is enough to achieve growth objectives. Great companies like this industrial firm make a point of practicing each of the three customer management approaches. For key accounts, the importance of the retain and grow sides of this triad are magnified. Note that we did limit this *retain, grow, gain* discussion to *profitable* customers.

Unprofitable or undesirable customers must not be part of a key account program. The identification of these undesirable accounts is discussed in the key account selection process later in this chapter.

We first explain why gaining new customers should remain a secondary objective in key account management before detailing why retaining and growing should be the primary one.

Gaining Customers: A Secondary Objective in Key Account Management

B2B suppliers have marketing strategies and performance goals to acquire new customers—the *gain* of our triad. Many of these companies have specific salespeople or sales groups—hunters—whose sole function is to sell new accounts. It is a difficult, challenging job. In an often cited Harvard Business Review article Hart, Heskett, and Sasser said that it costs five times more to replace a new customer than retain an existing one.[13] There have been many other estimates about the difference in cost to acquire, versus the cost to retain, and it certainly differs depending on the industry and culture. But, a sale costs more from a new customer than an existing one. There are many reasons for this additional cost, such as marketing and promotion costs, price erosion, pre-sales efforts, proposal preparation, and so on. One critical reason that is often overlooked is the rate of failure of attempts to sell a new customer. Suppliers do not know the who, what, when, and how of new customer purchases. In contrast, they are likely to know many of the acquisition practices of existing customers and very likely to know how their key accounts buy the products and services they sell. While we do not underestimate the importance of acquiring new accounts for a supplier's long-term success, it is not part of a key account strategy. Key accounts come from existing customers. Suppliers should not invest key account resources in companies that might not buy from them. That does not mean key accounts are limited to our largest accounts, size is only one of six key account selection criteria we will discuss in the next section.

Suppliers must invest the time and resources to monitor the health of their existing relationships and take any reasonable actions necessary to retain their critical corporate assets. And all healthy companies have

a strategy to acquire new customers. But growth is where the action is. Every year, most of a B2B company's growth should come from existing accounts. As we will see below, a proactive key account program that relies on Open Space analyses can help ensure that a significant share of customer base growth comes from key accounts. That is, understanding a customer's strategies and objectives, as well as how the supplier's own solutions can support these objectives, helps ensure long-term relationships and win new business.

Retaining Customers: Protecting the Customer Asset

Let's start with a notable statistic. The probability of a sale to an existing customer is 60 to 70 percent. The probability of selling to a new prospect is 5 to 20 percent.[14] Consider the relationship of Wal-Mart and P&G. In 2011, the retail giant accounted for 15 percent of the consumer goods supplier's revenue—more than any *country* other than the United States. In a previous position as the vice president of sales for a *Fortune* 100 industrial services firm, one of us realized that more than 65 percent of revenue came from just 15 accounts. Not 15 percent that is, but literally 15 *individual customers*, responsible for most of the company's revenue. With such staggering ratios, it quickly follows that suppliers must take incredible precautions to protect, and secure, these accounts. The most effective protection is a key account strategy. Strategic key account programs ensure additional investments of time and resources, and they offer the sales team sufficient flexibility to manage the accounts in whatever unique way best supports the profitable customer–supplier relationship.

Growing Customers: Developing the Customer Asset

Moving to *grow*, we feel compelled to emphasize the often-overlooked importance of key account management for leveraging the inherent potential of growth. Growth from existing accounts comes from four different sources:

1. Increasing sales of the same products and services to the same customer segment. This organic growth occurs because the customer's needs are growing.

2. Increasing sales of more expensive and more profitable products and services to the same customer segment. This is up-selling, the objective is to make more profitable sales.
3. Selling different products and services from the supplier's existing catalog to the same or different segments of the customer's business. This is cross selling, the objective is to increase the income and the value a customer gets from the supplier.
4. Creating new products or services that the customer needs that are not in the supplier's existing product catalog. This refers to co-creation, the objective is to leverage the collaborative relationships established with the customer.

The first of these, organic growth, is a result of retaining key accounts and profiting from the success of the customer. The other three occur because of growth opportunities that must be identified, pursued, and won. As mentioned before, such intent falls under the UPV approach that allows a supplier to dramatically increase the value of its customer and its key account strategy.

To strategically and proactively identify these growth opportunities we will use an Open Space analysis. In a table showing every product (or product segment) a supplier has to offer a key account on one dimension and every one of that key account's business or geographical segments on the other dimension, each intersection or cell in the table is an opportunity for the supplier's products or services. The supplier is the incumbent in some of these cells; we already provide that product to that segment of the customer's business. These intersections are black. The rest of the cells are open, the supplier does not provide that product or service to that business segment. Even this basic analysis requires extensive knowledge of the key account's business and is usually only worth the effort for key accounts. What is interesting is that there will almost always be more "blanks" or "*Open Space*" (intersections where the customer is *not* using the supplier's products or services) than there will be intersections in which the supplier is providing the customer's needs.

The relatively simple Open Space analysis in Figure 1.1 depicts the needs of a key account of an oil field services company. The vertical axis shows the key account's geographic business regions, each of which is

Account Map

Region	Reservoir Development	Integrated Operations	Drilling	Evaluation	Completion	Production	Pressure Pumping	Tubular Services	HPHT	Hydrocarbon Processing	Totals
Africa				0.60		9.00					9.60
		2.00									2.00
Asia and Middle East				0.60		12.00					12.60
		2.00									2.00
Australasia				0.60		2.00					2.60
Europe				0.60		7.00					7.60
		2.00									2.00
South America				0.60		6.00					6.60
						0.25					0.25
Canada				0.60	1.00					1.00	2.60
										2.00	2.00
										3.00	3.00
Mexico		1.00			1.50						2.50
Trinidad and Tobago	1.00				0.80				1.00		2.80
United States			2.00								2.00
Alaska		1.70		0.60							2.30
Numbers indicate Prior Year Sales In $1M's	1.00	2.70	2.00	4.20	3.30	36.00			1.00	1.00	51.20
		6.00				0.25				2.00	8.25
										3.00	3.00

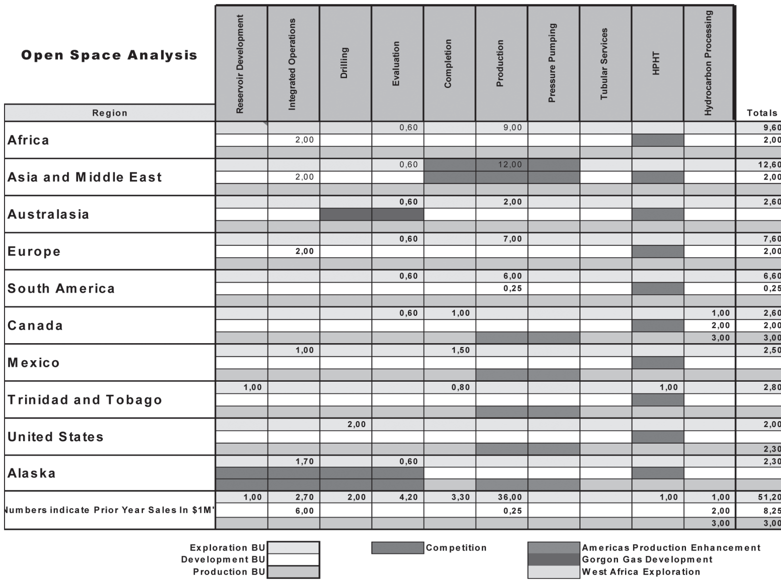
Exploration BU
Development BU
Production BU

Figure 1.1 Simple Open Space Analysis

segmented into business segments within each region (defined by the customer). The horizontal axis reveals the supplier's business units. Every cell that does not have a current sales value in it represents potential growth, beyond the supplier's current installed base. This is the land of opportunity.

This simple approach to identifying new *push* opportunities is enhanced with two additional concepts. First, alignment of the supplier's offerings with the customer's business strategies, and second an accurate assessment of competitive positioning in the Open Space (Figure 1.2).

To identify sales opportunities aligned with the customer, the supplier should identify those cells in the matrix that are the most important to the customer's current strategies and initiatives. For example, this customer has a goal to increase *exploration* to grow their production in *Africa*. The first four columns of the above matrix are the supplier's exploration product line. These four columns in the Africa row are potentially valuable solutions for the customer because the solution would support a specific corporate strategy or initiative. These four cells should be coded to show this intersection of supplier product with an important customer strategy. Intersections where supplier's valuable solutions intersect with the customer's most important strategies are where suppliers have the best



Open Space Analysis

Region	Reservoir Development	Integrated Operations	Drilling	Evaluation	Completion	Production	Pressure Pumping	Tubular Services	HPHT	Hydrocarbon Processing	Totals
Africa				0,60		9,00					9,60
		2,00									2,00
Asia and Middle East				0,60		12,00					12,60
		2,00									2,00
Australasia				0,60		2,00					2,60
Europe				0,60		7,00					7,60
		2,00									2,00
South America				0,60		6,00					6,60
						0,25					0,25
Canada				0,60	1,00					1,00	2,60
										2,00	2,00
										3,00	3,00
Mexico		1,00			1,50						2,50
Trinidad and Tobago	1,00				0,80				1,00		2,80
United States			2,00								2,00
											2,30
Alaska		1,70		0,60							2,30
	1,00	2,70	2,00	4,20	3,30	36,00			1,00	1,00	51,20
Numbers indicate Prior Year Sales In $1M'		6,00				0,25				2,00	8,25
										3,00	3,00

Figure 1.2 Enhanced Open Space Analysis

opportunity for growth and the best opportunity to increase the value of the relationship beyond just a provider of good products and services. Performing this level of analysis adds to the knowledge about the customer that the key account team must have. This is an example of key account management at its best, identifying an opportunity to use supplier offerings to help the key account achieve their strategic goals.

To analyze the competitive positioning in the key account the key account team should also identify those cells—intersections of supplier's offerings and key account's business segments—where supplier's competitors have a more favorable position than the supplier with that business unit for that product segment.

Our Open Space analysis now shows us:

- The key account's business segments that do not use our offerings.
- The key account's business segments that do not use our offerings and are important to the execution of the key account's business strategies.
- The key account's business segments where our competitors have an advantage.

The analysis provides a valuable perspective on how suppliers may find strategic directions to grow customers with potential meaningful opportunities. Open Space analysis starts with the customer and requires in-depth knowledge of the customer's entire business, which is likely for only key accounts. In addition, an Open Space analysis demands substantial time and effort not only to undertake the comprehensive analysis but also to execute the individual customer strategy and modify it as necessary over time.

Implementing Key Account Management in Complex and Dynamic Companies

So you are ready to implement a key account strategy. You have been convinced that it is the right thing to do. In the short and medium term, it will enhance your firm's financial results. It will support your long-term health and continued growth. By co-creating innovative products and services with your key accounts, you can increase your market share in all your product and customer segments. So the next step sounds simple: Pick a few of your biggest, highest potential accounts, assign the best salespeople to them, and wait for the sales to start rolling in.

Not so fast. Few companies that have implemented key account programs write them off as total failures. But few companies achieve the benefits they expected from their incremental investment. Thus, we provide guidelines for establishing not just a key account strategy, but rather, a successful key account strategy.

Identifying Key Accounts and Building the Selling Center

As described above for any key account management initiative, the supplier must start by identifying the target customers to become key accounts—as well as excluding those customers that are not good candidates. Then, the second step is to develop a selling center that includes the account leader to take responsibility for each of these key accounts. Only after the selling center has been established can the supplier take on the complex, critical task of researching each of the potential target accounts, developing a strategy, and determining the appropriate short- and

long-term objectives. The end result of this process will be a set of metrics for each account, defining success.

Identifying Key Accounts

There are two central questions associated with the process of finding targets:

1. How many?
2. What criteria should we use to identify them?

The question of numbers is obvious at this stage of development, but its answer should wait until later. The answer will be the exact number of customers that are worth the additional investment. Because a supplier cannot know what its investment will be yet, or if the funds and resources will be available, at this stage, all it can establish is that a key account program should start small and grow. In a project with a highly respected *Fortune* 100 industrial firm selling to the electronics industry, we helped it identify 37 potential key accounts, but it wisely started with just 7 in the first 2 years of its program.

The criteria are a little easier to define at this point. We discuss six of them:

- Size
- Strategic importance
- CLV
- UPV
- Account fit
- Relationship method

Only after understanding and applying these criteria, researching each potential key account, and developing an account strategy and objectives is it possible to finalize the initial key account list.

Size. Size matters, and it is easy to measure. Consolidation has created an obvious Pareto curve in most industries. In 2013, of the 88 million vehicles produced, 32 million came from the top five automakers.[15] Nippon Steel, Wuhan Steel, US Steel, Firestone, or Bridgestone, all must

include these five automakers on their key account lists. In 2013, there were 13.5 million hotel rooms, and 3.1 million were owned or managed by the top five hospitality companies. Therefore, Sysco Foods, Ecolab, and Whirlpool all include these five firms on their key account target lists.

In these examples, we purposefully use volume, rather than revenue, as our size metric. The list of customers often is similar across both measures, but volume is a more convincing and relevant measurement. There is a direct correlation, for example, between Hilton's 650,000 hotel rooms and the potential market for Whirlpool's laundry products.

Strategic Importance. Strategic importance matters too, but unlike size, it is difficult to measure. Determining the organizations that are leading the trends in the industry is an inherently subjective exercise. Whose opinion matters in creating this list? Internally, the supplier's marketing or product managers likely have in-depth knowledge of trends in the customer's industry. Externally, thought leaders, visionaries, and experts watch each industry, and then offer their assessments. But the choice is inherently risky.

Consider an example. An industrial company we worked with included Google in its list of seven key accounts for the electronics industry, even though in terms of size, CLV, or UPV, it would not have passed the test for a key account. At the time, Google ranked 53rd among the 500 largest global electronics and hardware companies, and after divesting the legacy Motorola cell phone division, it fell off this list completely. But if this supplier wanted to develop innovative electronics products, co-creating with Google offered superlative potential. As a corollary, if it failed to enter into a high value key account relationship with Google, it might fail to identify developments in the industry, which would have major, long-term, negative consequences. Similarly, Westin's Heavenly Bed and other innovations make this hospitality company an attractive key account target, regardless of its size.

Therefore, fitting the strategic importance criterion demands the use of a wide range of available internal and external sources of industry knowledge to find the right industry companies to add to a key account target list. We will look at strategic fit again in Chapter 4, when we discuss portfolio analysis. The concept will help us determine where to allocate scarce selling center resources among our key accounts.

CLV (Customer Lifetime Value). As described before, CLV is a quantitative measurement that allows a supplier to determine the relative value of each of its customers. Recall that in simple terms, CLV is the sum of the NPV of all purchases by a customer, less the cost of those purchases for the life of the supplier's relationship with the customer, less the acquisition cost. Many marketing models estimate the CLV for an individual customer.[16] These models make assumptions about critical variables, such as the time horizon, retention, and changes in volume. Calculating CLV for all a supplier's customers requires accurate historical data and reasonable assumptions for these variables. Completion of the analysis results in a list of highest value customers that provides a framework for the key account selection process. After this value has been determined, the sum of all CLV constitutes the customer asset or customer equity. For our purposes, we are interested in the ranking of all CLVs, which allows for the identification of members at the top of the list. To create a key account target list, a supplier must first create a stacked ranking of existing customers, on the basis of their forecasted financial impact on the supplier's revenue or profit. If necessary, the supplier might use simple trending based on historical performance as an adequate proxy for CLV.

UPV (Unrealized Potential Value). UPV is not a common concept in marketing segmentation, but in the world of key accounts, to understand the long-term relative value of a list of customers, it is the most important quantifiable criteria. This number will tell the supplier the size of the brass ring associated with each account. UPV will identify some very promising customers that will not show up using other criteria. Unlike raw size, which does not measure a supplier's potential, or CLV, which does not look beyond the supplier's current customer product service mix, UPV forces the supplier to consider the customer first. That means understanding the customer's strategy, culture, issues, and plans—a high bar. If the supplier can understand the customer to this extent, it opens greater potential for product and service innovation and development. Actually, it is incumbent on the supplier to seek these opportunities to identify UPV.

Account Fit. If an account is big, has potential to grow within a supplier's current product service mix and beyond, and is strategically

important, it should appear on the key account list. Yet the account fit selection criterion, sometimes prevents an otherwise great account from actually being a key account. We note three different types of fit: strategic, operational, and cultural.

Strategic and operational fit, in a key account context, were first defined and discussed by Richards and Jones.[17] They define *strategic fit* as the degree to which the buying and selling firms' strategies align. Alignment suggests that both buying and selling companies pursue similar strategies. For example, if both customer and supplier seek a revenue growth strategy or an operational efficiency strategy, their alignment supports a key account selection. *Operational fit* is the degree to which the customer's service requirements align with the capabilities of the selling company. In the oil and gas industry, global oil companies have major operations where oil is, not necessarily where people are, which would be the case in most other industries. Suppliers that lack large-scale operations in Angola, Venezuela, and Papua New Guinea might lack acceptable operational fit with companies such as ExxonMobil and Shell. Then if an account needs product or service delivery, integrated order processing and invoicing, or supply chain integration, a supplier should make sure these elements are easy and aligned with their own operations. A simple way to understand operational fit is in terms of whether the account views the supplier as easy to do business with, and vice versa.

Richards and Jones also describe third and fourth measures of fit: shared values and personal fit. Those concepts become more relevant when we begin to discuss delivering *value* to key accounts in Chapter 2. For the purposes of key account selection, we believe a broader, more relevant category is *culture*, defined as the beliefs and values shared by the company's senior managers.[18] In turn, *cultural fit* is the degree to which a customer's and a supplier's senior managers' beliefs and values are the same, similar, or at least compatible. If both a customer and a supplier have open offices, empower employees, and delegate decision making, their cultures likely are compatible. If the customer also meets other criteria, it would be a good target key account. In contrast, if the customer has a strong command-and-control culture, and the supplier has an empowerment culture, they probably cannot achieve a good cultural fit, so even if the account is a large, profitable customer, it probably is not a good target key account.

For many years, one of the authors met regularly with two well-known, well-respected senior technology executives, one at ExxonMobil and the other at Texaco. The ExxonMobil CIO valued integrity and honesty, and he did not like to be surprised. Any meeting with him required you to be thoroughly prepared, concise, and to the point. He ran a "tight ship" such that even the most massive projects in his organization were delivered on time and within budget. His was a very rigorous command-and-control organization. The Texaco CIO was intellectually curious, always asking questions and always learning. Because he was so creative and open to new ideas, he empowered his team to be innovative and forward thinking. In meetings with either of these organizations, anywhere in the world and at any level in the organization, the culture created by their two leaders was palpable. Suppliers that sought to make ExxonMobil or Texaco a key account organization would have needed to be cognizant of their cultural fit. Suppliers and customers with similar cultures are much more likely to develop long-term, mutually beneficial relationships—that is, the goal of key account management—than customers and suppliers with conflicting cultures. The challenge for key account leaders is to assess this fit objectively.

Relationship Method. A customer's supply chain or procurement organizations have a preferred concept for the characteristics of their relationship with suppliers, their *relationship method.* These characteristics have a significant impact on the profitability and desirability of the customer to the supplier. For example, most procurement organizations focus on buying product at the lowest possible price. But, that does not necessarily mean they are unwilling for the supplier to make a profit. Many customers' procurement organizations have policies and procedures requiring competitive proposals for all or most products. For some customers this means there is no loyalty to any one supplier. But for some, it does not mean that. A history of a successful relationship can create loyalty between some customers and suppliers, even in an environment of tenders, requests for proposals and competitive bids.

Customers whose relationship methods make it difficult for suppliers to sustain a profitable relationship are more common than previously thought. "In recent years, several studies have shown that the share of

customers with a negative contribution margin (revenue less direct cost and cost-to-serve) can reach up to 30% in both business-to-consumer (B2C) and business-to-business (B2B) relationships."[19] Today using sophisticated CRM systems, many suppliers are able to identify unprofitable or undesirable customers and either change their method of dealing with them, or divest these accounts. Prior systems were generally limited to measuring a customer's gross profit or margin contribution. They were not able to accurately allocate sales, service, and marketing costs to individual customers. Today CRM systems such as Salesforce.com can achieve this level of accurate customer profitability analysis.

Before we decide to reward customers by making them part of our key account program we should understand why a customer's relationship method can make seemingly valuable accounts ones we want to avoid investing in, much less make key accounts. The simple two by two matrix in Figure 1.3 clarifies the impact of a customer's relationship method.[20]

Using the newly available CRM information we can accurately classify all our accounts into one of the four quadrants. There are many methods for measuring customer loyalty in academic literature. For our purposes a loyal customer is simply one who consistently buys from a supplier over a long period of time. So, a *stranger* is a customer who buys infrequently or only recently and when they do buy, they are very price conscious. This is a "call for a quote" customer. *Butterflies* buy infrequently, but when they do, the transaction is a profitable one. A *friend* buys regularly and profitably while a *vulture* buys regularly but always requires prices or services that make the transaction unprofitable. Customers belong in their

Customer Profitability		Customer Loyalty: *Low*	Customer Loyalty: *High*
	High	Butterfly	Friend
	Low	Stranger	Vulture

Figure 1.3 Customer Loyalty and Profitability

respective quadrants in large part because of their chosen relationship method. *Butterflies* provide fleeting high profits. They only fly in occasionally but when they do, they are not price sensitive. They should be encouraged to become more loyal—*friends*. *Butterflies* are rarely divested or terminated. Suppliers do not have a lot of history with *strangers*. Suppliers should continue to invest to try to convert *strangers* to *friends. Vultures* are not profitable. They are loyal and will continue to buy from a supplier as long as the supplier will give them the low price and favorable terms their relationship concept requires. *Vultures* are candidates for termination in specific circumstances. Indeed, if vulture customers are not good targets for any combination of cross selling, up-selling, or co-creation strategies where UPV can be found for the sake of profitable sales, they should not be considered. *Friends* are valuable customers whether they meet the other five criteria for key accounts or not. But only *friends* should be considered for and promoted to key accounts.

These six criteria—size, strategic importance, CLV, UPV, account fit, and relationship method—provide a supplier with the information necessary to choose among all a supplier's existing customers those accounts that should be key accounts. These same criteria also provide important insights into who should be a member of each account's selling center.

Building the Selling Center

We have discussed why it is necessary for suppliers to create a key account strategy and identified the criteria to use to choose key accounts. Now we need to create an organization that can manage these critical company assets most effectively.

Sales and key account management scholars propose the buying center concept, which offers a rich understanding of how companies organize to make their purchase decisions.[21] We devote significant attention in Chapter 2 to the buying center concept. In contrast, relatively little research effort appears devoted to the reciprocal version of the buying center, namely, the selling center.[22] The limited studies we can find considered the interface between the buying center and a supplier organization. Because buying centers focus on procurement processes, not long-term buyer–seller relationships, early research also noted the need for improved

buyer–seller relationships during the purchase process. The resulting sales teams organized themselves around winning sales opportunities. But such opportunistic, virtual teams are not necessarily the types most likely to ensure the success of key account strategies.

A key account selling center creates long-term relationships with key stakeholders that represent the key account. A selling center for a key account is *a network of stakeholders connected to a key account that might have a say in the course of a supplier's selling process and strategy.* These stakeholders may be permanent or temporary members. Permanent members *always* can affect the course of the relationship and maintain a vested interest in its success. Temporary members *sometimes* influence the course of the relationship and have a vested interest in its success.

Our generalized model of a key account selling center begins with three distinct types of roles and multiple roles within each type:

1. Senior Management
   a. Key Account Sponsors
   b. Key Account Executives
   c. Key Account Managers
2. Leaders
   a. Subject Matter Leaders
   b. Geographic Leaders
   c. Supply Chain Leaders
   d. Administrative Leaders
3. Contributors

We will describe each role and then discuss how to assemble the selling center for each key account.

Senior Management to Build, Steward, and Execute a Strategy. There will be selling center members that come and go based on the Key Account Management Process (KAMP) described in Chapter 2. But successful key account management requires tenure and continuity at the top. This necessarily starts with leadership. Executives are responsible for the first two decisions by supplier organizations with regard to a key account strategy, that is, that (i) the company's largest and best customers

must be managed differently and (ii) the organization must change to succeed among these critical customers.

The *Key Account Sponsor* has several selling center responsibilities such as: emphasize the importance of the key account strategy across the organization; support the key account as necessary within and beyond the sales organization; and provide continuity even if changes to the rest of the key account team are necessary. Leaders must monitor the firm's progress toward achieving the strategic objectives, such that they become members of the selling center as the executive sponsor. For example, IBM assigns a senior executive as a managing director (MD) responsible for the success of key accounts; senior managers who lack experience as key account MDs have incomplete resumes in IBM's corporate culture. The position is not a sales role, because MDs spend little time supporting sales opportunities, and the majority of MDs are not sales executives. Rather, their responsibility is to manage the relationship, especially at the executive-to-executive level, and understand the key account's business and strategy. Our concept of the selling center is consistent with this vision of a consistent, long-term executive relationship that is not focused on specific sales opportunities.

The Key Account Executive is a leader who is part of every key account selling center to take responsibility for the success of the key account strategy and organization. The key account executive can be vice president of key accounts, or a vertical market executive who manages several key account managers. At Xerox, key account executives have responsibility of vertical markets (e.g., automotive, aeronautic, telecommunication, construction, energy, public institutions) and support teams of key account managers insuring the consistency of the key account program within specific industries. The key account executive stewards the strategy and is accountable for the success of the entire program. Thus, he or she should be part of the senior executive team, reporting directly to the chief operating officer or president.

The Key Account Manager (KAM) is the next and obvious member of the selling center. KAMs in many *Fortune* 100 companies hold director-level positions, with titles such as account vice president, global account vice president, and global account director. Such titles make it clear this position has an important role in the company. Beyond the obvious

responsibility to achieve specific revenue or profit objectives, the KAM must be their customer's advocate within their supplier organization. One highly successful KAM explained it this way: "*I work 51 percent for my company and 49 percent for my customer*." Another cites, as one of his long-term goals, being appointed to the board of directors for the *customer* organization, not his employing company. As a leader, a KAM is never a sole contributor. Because he or she needs leadership and management skills, the best salesperson often does not make the best KAM.

It is beyond the scope of this book to discuss all the competencies and traits that define a successful KAM; various competency models are available in academic literature and from consultants. However, we believe that strong negotiation abilities, interpersonal intelligence (people smart), leadership skills, integrity, loyalty, and drive are key dispositions. Business acumen, attention to detail, planning skills, and sales process knowledge also are critical competencies. One of the most important competencies for a KAM is building allies and networks. KAMs are responsible for tens of millions, in some cases billions, of dollars in revenue. But they have very few people reporting to them. They depend on their network and the ability to manage with influence, not authority.

Before leaving this discussion, we also consider the question of the ideal number of accounts for which a KAM should be responsible. The answer is simple: *One (ideally).* By one account we mean a single client, although we recognize that such clients' relevant business units or subsidiaries may belong to the same account and KAM from the supplier's perspective. Consider the financial case: Using the 80/20 rule, assume that 25 accounts make up 25 percent of your revenue, or 50 accounts make up 50 percent of your revenue, so each key account averages 1 percent of your revenue. The objectives for implementing a key account strategy are to retain these accounts and grow them faster than non-key accounts. It is thus both reasonable and profitable to devote a full-time, responsible manager to this important effort. We can also make an organizational case: Key accounts are large, complex organizations that engage in a lot of different activities in various places. The more a KAM knows about an account, the more successful that KAM will be. Diffusing her or his effort to more than one account almost invariably reduces the depth of knowledge. Finally, KAMs are valuable to

customers because of the combination of their account knowledge and their industry knowledge. If a KAM has more than one account, those accounts are very likely to be competitors in the same industry—not an appealing prospect for the key accounts. One senior executive once told us that a company needed to replace its KAM solely because this KAM also maintained a competitor's account. Thus, ideally, a KAM has one account, supported by a team of members of the selling center who interact with the key account regularly.

However, this ideal approach is often not possible or realistic, because good KAMs are expensive and hard to find. Therefore, we more realistically recommend that each KAM should be responsible for as few key accounts as possible, with an upper limit at five. Any more than five key accounts, and they are no longer being treated as key accounts.

Thus, the selling center for each key account contains a key account sponsor and a KAM. Before detailing the roles of the other members, we note that key accounts not only are unique but also must be treated uniquely, which implies the need for a specific constitution of each selling center, to include the particular members and roles that are consistent with the way the account wants to be managed. Remember: It's always about the customer.

The KAM needs a team, the execution members of the selling center. The leaders and contributors that are the frontline who will interact with the key account every day.

Leaders. Leaders have two major responsibilities. First, they must understand the needs of the key account in their respective area of expertise. Second, they must use that understanding to identify and assign the best available supplier resources, including contributors, to meet those needs. Why do we call them leaders? Often these critical members of the selling center do not manage any direct reports, but they do have a tremendous responsibility to retain and grow the key account in their segment of the relationship. They must accomplish this by *leading* others in their segment of the business using influence and respect versus authority. They have specific in-depth knowledge of their subset of the account and of the relevant supplier offerings or processes. Leaders may be permanent

members of the selling center, or temporary. They may be assigned to one key account, or multiple accounts. They may be assigned full time to the key account program, or part time.

Subject Matter Leaders have in-depth knowledge about a subset or segment of the supplier's offerings. They have intimate knowledge of how the key account can best use those supplier offerings, and they know the contacts in the key account that are the most knowledgeable and supportive users of their product segment. They also know other experts in the supplier's organization that can supplement their knowledge when necessary to support the key account, either because of depth of product knowledge or for geographic alignment with the customer. While the KAM focuses on account relationships, business acumen, knowledge of the account, sales opportunities and customer satisfaction, the subject matter leader focuses on technology, product knowledge, and how to use the supplier's products and services to solve customer problems and address needs, as described in Chapter 2. A critical part of this role is connecting the appropriate technical resources from the key account with their counterpart at the supplier. In many industries a subject matter leader is the most common fourth permanent member of the selling center and the most valuable internal resource for the KAM.

Geographic Leaders are necessary when both organizations have autonomous geographic business units. They represent the selling center in a geographic location where the key account operates. They are intimately aware of the customer's local operation and the key contacts in that location. They know how and where the supplier's offerings are being used in their geographic region. They are the most geographically dispersed members of the selling center. Their day-to-day personal contact is with the local supplier organization and the local customer organization. Collaboration using CRM as described in Chapter 3 is critical for these leaders to stay aware of their key account activity and the selling center's strategies and tactics.

Supply Chain Leaders are important if suppliers and the KAM have critical high volume logistics issues. This role supports the operational fit of the two organizations. In many industries on-time delivery of the right product at the right place with the right quality is the most important supplier evaluation criteria to a key account customer. Today's supply

chains are complex and time critical. As we will discuss in Chapter 3, integration of the key account and supplier's supply chains is often an opportunity for synergy and significant value added for the relationship. All this is the responsibility of the supply chain leader.

Administrative Leaders take care of all administrative processes that occur when managing large customers. It is entirely possible that the supplier organization has superb administrative systems and all customers find the organization administratively easy to do business with. This is rare. For key accounts an investment in an administrative leader to make sure the customer's administrative processes are performed efficiently has a direct positive impact on customer satisfaction. The administrative leader also looks for ways to integrate administrative processes between the two organizations. Similar to the Grainger example above, these integration opportunities increase the barriers to competition and reduce cost in both organizations.

Contributors. Contributors are temporary members of the selling center. They join when there is an opportunity or a need that requires their participation. This can be because of their function, expertise, or location. It is driven by a KAMP as described in Chapter 2. They are critical members of the selling center. Large complex, dispersed key accounts cannot be supported by the KAM and the selling center leaders only. In every case, some number of contributors from the rest of the supplier organization provides the vital feet on the street to insure a successful key account relationship. Contributors are enlisted to join the selling center by one of the leaders. That's why leaders must have intimate knowledge of the people in the organization and the ability to manage with influence to enlist the right contributors to support the key account. Contributors will join the selling center from every function and role in the company. A human resources expert may be needed to help find and recruit internally or externally a specific expertise for a concern or expectation in KAMP. A member of the General Counsel's office might be added as a contributor to the selling center to help support the intellectual property negotiations for a co-created innovation. A frontline sales representative might be enlisted to develop a relationship with buying center users or influencers in a geographic location without a geographic leader to support an opportunity management

in KAMP. These sales contributors must quickly gain the account knowledge necessary to effectively represent their product to the key account. Collaboration using CRM as discussed in Chapter 3 is critical. They have a direct reporting relationship to a product or regional sales manager, and an indirect reporting relationship to the key account selling center geographic or subject matter leader. An employee that provides a service or otherwise supports customers might become a selling center contributor to help deliver or support a specific product or service. This type of contributor is in a role that is often the largest part of the supplier organization, customer service and support. We know an oil field service company with 175 key account team members, 3,200 sales people, and over 75,000 service and support people. What this means is that every day many of these contributors are engaging with the selling center's key account. They are also probably working at other accounts. But when any contributor is supporting a key account they are members of the selling center. They should be aware of any account issues, and regularly communicate the service and support activity at the key account to the relevant leader. They can be engaged in any of the KAMP dimensions described in Chapter 2. The eight selling center roles are summarized in Figure 1.4.

Members	Role
Key Account Sponsors	Insure Executive to Executive relationship between supplier and key account
Key Account Executives	Lead, manage and support the supplier's key account program
Key Account Managers	Retain, grow the relationship between the supplier and 1 to 5 key accounts, align relationships, sales process, communication between the supplier and the key account
Subject Matter Leaders	Represent specific supplier offerings to the key account, insure the successful use of this leader's segment
Geographic Leaders	Represent the selling center in a geographic location where the key account operates
Supply Chain Leaders	Insure the on-time delivery of the right product at the right place with the right quality, identify supply chain integration opportunities
Administrative Leaders	Insure the efficient performance of the customer's administrative processes, identify ways to integrate the administrative processes between the two organizations
Contributors	Support a specific Key Account Management Process (KAMP) for the selling center

Figure 1.4 Selling Center Members and Roles

Organizing the Selling Center and Driving the Selling Center Alignment Process: The SCAP

We know every customer is unique, but key accounts are unique and must be treated uniquely. That includes the make-up of the selling center, those people that will deal with the key account every day. A key account's selling center must have those members and roles that are consistent with the way the account wants to be managed. We just described eight selling center roles. Three of these are consistent among every key account: the executive sponsor, executives responsible for all key accounts, and KAMs. Whether any one key account has the other five roles in the selling center, and how many of each, depends on (1) where the account is on the continuum of key account relationships described below, (2) the account's organizational structure, how can we maximize organizational fit, and (3) the grow potential as described in the Open Space analysis. These same three factors also determine if the members of the selling center are permanent or temporary.

From a Continuum of Key Account Relationships to Critical Success Factors

Although people often prefer to think in dichotomies or triads, the relationship between a customer and a supplier is a continuum. This continuum ranges from a car owner whose battery dies in the middle of the desert and the local garage that replaces it never to see that customer again to 3M's ongoing collaboration with P&G, in which the two *Fortune* 100 companies innovate together to keep improving the design and reducing the cost of Pampers diapers.

But to reflect traditional modes of human thinking, many key account models use sets of three. In *Key Account Management and Planning*[23] Noel Capon describes three steps along a continuum: vendor, quality supplier, and partnership. In *Rethinking the Sales Force*[24] Neil Rackham identifies three types of customer–supplier relationships: transactional, consultative, and enterprise. Johnston and Marshall, in the 10th edition of their *Sales Force Management*[25] book, list the three levels as market exchange, functional relationship, and strategic partnership. For Senn, Thoma, and Yip, in *Customer-Centric Leadership*,[26] there are three customer asset

management perspectives: sales, relationship, and network. In all these cases, and others in the literature, the relationship progression describes an increasingly closer, deeper connection, with broader value for both companies as they move up the continuum. For example, the explicit involvement of both parties in product innovation (value co-creation) is not part of the first relationship level but is desirable in the third.

However, for our purposes, a critical distinction is required: A key account program should not focus only on the top tier of relationships. Rather, a key account program must be flexible enough to accommodate key accounts that fit any of the categories and appear anywhere on the relationship continuum. Consider, for example, the unique situations that Landmark Graphics recognized and applied for two of its key accounts, Exxon and Chevron, as detailed below:

> ExxonMobil and Chevron were both key account customers of Halliburton's Landmark Graphics software division when one of us was the sales vice president responsible for these accounts. Landmark developed product innovations specifically for each customer, but the customer–supplier relationships represented different ends of a continuum.
>
> ExxonMobil had a specific need for a complex application that would enable it to analyze information gathered below the earth's surface and support one of its geoscientific disciplines. On its own, ExxonMobil developed application criteria and a request for proposal (RFP), then sent the RFP to three companies it believed were capable of developing that application. After receiving submissions, it asked for presentations and demonstrations from all three suppliers, then formally entered negotiations with two of them and finally selected Landmark. This process took 20 months. Following the selection, ExxonMobil monitored milestones in the development process and issued progress payments, as established previously in the negotiation. It also limited its interactions with Landmark to two people: the account manager and the development project manager, both of whom interfaced with their counterparts at ExxonMobil (i.e., procurement manager and technical

manager). At the completion of the application's development, Landmark delivered the software licenses to ExxonMobil, according to a predetermined schedule that was based on ExxonMobil's available installation and training resources. The development took 12 months; the total deployment took another 18 months.

Chevron had a similar need but for a different geoscientific discipline. A joint team of geoscientists from Chevron's E&P Technology group and Landmark's Chevron Global Account Team identified a potential enhancement to an existing Landmark product that would significantly increase the quality of subsurface analyses for a specific type of geology; it would offer a more accurate prediction of the amount of oil and gas in an area, resulting in more accurate asset valuation and revenue predictions. The team agreed on a set of development criteria and collaboratively built a return on investment analysis for the projected product. This analysis accounted for the potential that Landmark could sell the enhanced product to other exploration and production companies. The team further agreed on Chevron's investment and set a development, implementation, and training schedule. Landmark developed the product, with regular consultations with Chevron experts to define the complex algorithms and workflows. Following the new release, a joint team installed and trained users. The total time for this co-created process with Chevron was about 20 months.

In the highly oligopolistic oil and gas industry, both ExxonMobil and Chevron are, and probably always will be, critical strategic accounts for Halliburton and its Landmark division. The conventional wisdom thus would suggest managing these accounts with similar sets of resources, strategies, and organizational approaches. In other words, if they are key accounts, the supplier should invest in them according to the assumption that they reflect the high end of a relationship continuum. But as this example shows, managing key accounts and creating an effective selling center is never a "one size fits all" exercise.

> Both projects were profitable for Landmark, but only because Landmark treated each customer the way it wanted to be treated and invested in the relationship only to the extent that it could earn some payback. From its prior knowledge, Landmark knew that ExxonMobil wanted to be managed as a transactional account, so it did not assign a large global team that would report to a global account manager. Nor did it assign technical experts to the account for each relevant geoscience disciplines. Yet it made both these investments, among others, for Chevron. This distinction is in no way a value judgment: Chevron's co-creation strategy is not better or worse than ExxonMobil's. No one who knows the oil and gas industry can realistically question either company's ability to execute and succeed.

Before reducing the list of target key accounts to the final few and finalizing the constitution of the selling center for each key account, the supplier needs to return to its Open Space analysis (Figure 1.1). This analysis process can be refined to offer a powerful method for identifying where, who, and how much to invest in a key account.

The primary strategic key account objectives are retaining and growing key accounts faster and more consistently, as well as co-creating new solutions in partnership with those key accounts to improve everyone's performance. Thus, we first need to ask our KAM to get to know the account. The KAM should identify no less than two and no more than five critical success factors (CSFs) or strategic initiatives for this account—an effort that requires substantial depth of knowledge about the account, the industry, and the personal goals of the key account's executives. However, it does not require *any* knowledge about the supplier.

Armed with these CSFs, we return to the Open Space analysis (see Figure 1.1 and 1.2). The original Open Space analysis (Figure 1.1) is similar to one used by many suppliers especially in the information technology industry (also called White Space). In it we identified regions and business segments in which the supplier was not providing sufficient products or services. By adding key customer strategies (CSFs) and competitive positioning we also find the intersections at which the supplier

can provide greater business value by helping the key account achieve its business imperatives (Figure 1.2). This analysis is a critical planning tool for a key account team. With it we can identify:

- Which target accounts to make key accounts. If we cannot help the account achieve what matters to it, we might cross that customer off the list.
- The necessary members of the selling center. We want people whose expertise can help us promote products and services that really matter to our customer.
- The specific criteria that will define success.
- Potential co-creation innovations that reflect our current portfolio and also can support the customer's initiatives.
- Push solutions for the KAMP processes (Chapter 2).
- Undeveloped and desirable accounts (Chapter 4).

To determine the success of each key account and the KAMs program overall, we set goals associated with three main objectives: (i) financial growth at a rate greater than that achieved by the rest of the company, (ii) increased sales of products and services not previously sold to the key account, and (iii) new product innovation in collaboration with the key account. The specific levels for each of these goals should reflect the information gleaned from the extended Open Space analysis.

We have identified appropriate key accounts and staffed the selling center but the process is not over. The plans and strategies adopted by the key account change constantly, as do the supplier's products and services. Therefore, on a regular basis (usually quarterly), the KAM must review the key account selection criteria, the account's CSFs, the account's position on the relationship continuum, and the Open Space analysis. If these factors do not change, it means the team is not as engaged with the key account as it should be. Change represents a golden opportunity to increase the value of the supplier to the key account.

Now we will more fully explain the selling center's functions and how the members interact with each other. We will provide guidance and structure so that the KAM can provide clear alignment, leadership direction and support to the other members of the selling center. Since

the selling center is a network of stakeholders connected to a key account that might have a say in the course of an organization's selling process and strategy, we can develop a relevant framework to guide KAMs *in providing direction to selling center members to achieve their mutual objectives.* We call this framework the *Selling Center Alignment Process* (SCAP).

The SCAP

The SCAP relies on three interrelated processes that direct and support the selling center's efforts to serve, manage, and grow the supplier's relationship with the key account (see Figure 1.5).

1. *Interface Alignment:* The process of aligning the supplier and customer *functions* necessary to achieve the key account team's goals.
2. *Connections Alignment:* The process of aligning *the individuals* from the supplier and the customer that are necessary to achieve the key account team's goals.
3. *Sales Process Alignment:* The process of aligning *all necessary resources* within the supplier's organization at the right time, in the right place to successfully execute a key account sales process.

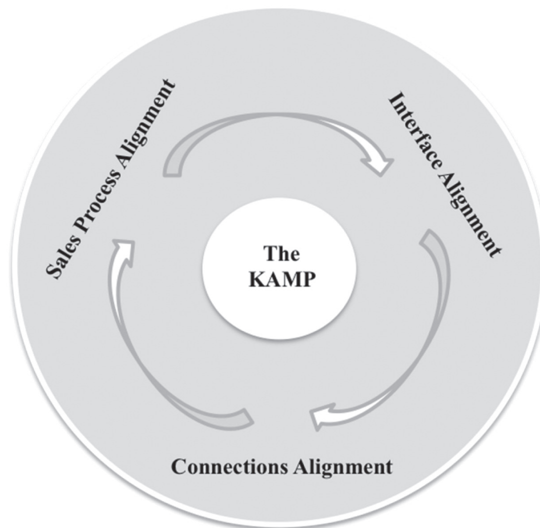


Figure 1.5 SCAP Components

These three alignment processes are interrelated elements. All of them are occurring all the time. At any given point in time the selling center is engaged in multiple key account opportunities each with its own *sales process* at some stage of execution. Each opportunity could have its own selling center members with the permanent selling center *leaders* and temporary *contributors* making team alignment challenging. As we will learn in Chapter 2, multiple buying center expectations and concerns must be managed all the time making *the alignment of one on one connections and supplier—key account interfaces* time consuming and difficult. Clearly, it is a challenge to simultaneously monitor, control where necessary, and direct these three processes—further evidence of the complexity of the KAMs' role. We will now focus on each of these alignment functions within the SCAP to provide the selling center and, specifically, the KAM with a framework to correctly align the supplier organization with the key account.

Interface Alignment. One of the authors has had two diametrically opposed interface alignment experiences. He lost a very significant sales opportunity with a key account because, according to the CIO, the supplier was "too hard to do business with." He won the second opportunity with a different key account years later because, according to the Director of Operations, the author's business processes were more closely aligned with the account's processes than his competitor's. Being "easy to do business with" is another responsibility of a key account team, and another responsibility that is often not within the account team's ability to control.

Interface alignment is the process of aligning the supplier and customer functions necessary to achieve the key account team's goals. Many of these functions are critical to being easy to do business with. Supply chain processes such as shipping and receiving, managing specifications, managing returns, service delivery, and confirmation and production forecasts should be aligned between the buyer and seller. They all have an impact on whether the key account sees the supplier as responsive, or not. The supplier's accounting and administrative processes also must be aligned with the reciprocal customer processes. Examples of these are order processing and invoicing and payables. More obvious functions in

a key account context are procurement's alignment with sales, supplier's pre-sales processes aligned with the buyer's request for proposal function and supplier's implementation or post-sales support aligned with the buyer's user community.

When these processes, and many others, are aligned between the buyer and seller the relationship works and opportunities to increase the value of the relationship "at the boundary" between the organizations are identified. See the discussion of this topic in Chapter 3. The corollary is that if the alignment is not effective, the relationship between the key account and the supplier is difficult, often contentious and short lived.

The key account team is responsible for identifying interface alignment issues *and* opportunities. In most key account programs this responsibility is not explicit. It should be. There is usually plenty of evidence when the two organizations are not working well together, but there is often no clear mechanism to address the issues. That is why the SCAP includes a formal recognition of interface alignment.

Connections Alignment. People work with people they know, like, and trust. The SCAP *connection alignment* process identifies the people from the supplier that are in the right location and/or business segment and provide the ideal expertise, skill, and attitude to support the key account. More than just being aware of the network of people that need to interact, it also involves making those people work together. For the supplier, the KAMs selects permanent members of the selling center—leaders—and temporary members—contributors. Temporary members are identified for a specific KAMP as described in Chapter 2.

The KAM's SCAP connections alignment responsibility means constantly looking for the right people to support the account. Again, in the complex world of key account management there is always a new opportunity to pursue or problem to solve. Equally important, the KAM works with the *facilitator* in the key account buying center, as described in Chapter 2, to identify key account employees that will work with members of the selling center to enhance the mutual value of the relationship.

Finding and selecting these people, from the supplier and the key account, is a challenging and constant task. Not only does it require

extensive knowledge of the best people in both organizations, it also requires an ability to manage with influence, not authority. The KAM rarely has the authority to select and then manage the members of the selling center. Of course, he or she cannot choose the key account's employees that will be members of the buying center. Even so, connecting the right people from both organizations is a critical alignment function of the key account team.

Looking at connections alignment in greater detail, it is the KAM's responsibility to:

- Select the right leaders to manage the team's strategies, tactics, and opportunities.
- Identify the key account's senior executives that are important to the success of the supplier in the account.
    - Leverage the account sponsor or executive or other supplier executives to reach out to.
    - Create an engagement plan for each of the identified key account executives to create the relationship or enhance an existing one.
    - With the buying center leadership, establish regular executive to executive account reviews to monitor progress of the relationship based on the goals and objectives established above.
- Identify other key account contacts that will be facilitators, influencers, or decision makers (see Chapter 2).
    - Connect specific members of the selling center to these relationships.
    - Make those people understand each other and work together whenever necessary.

Connections alignment is thinking beyond the day-to-day responses to sales opportunities and other active projects. It is strategically thinking about the health of the relationship between the supplier and the key account. It is about creating individual relationships that will foster a long-term partnership and that will support that partnership during the inevitable problems and issues that occur.

Choosing the permanent leaders is the most important function of SCAP connections alignment. The KAM should consider the following:

- Needs of the key account
  - Is supply chain performance critical?
  - What product or service domain expertise is currently needed?
  - Are administrative processes difficult? Is the volume of transactions significant?
  - Where are the account's locations? How autonomous are these locations?
- Needed expertise
  - Expertise in the required subject matter
  - Anticipated expertise needed based on Open Space analysis, KAMP opportunities, or problems to be addressed
- Knowledge of the key account
- Tenure with the supplier
- Tenure with the key account

The importance of connections alignment cannot be overstated. In choosing selling center members the KAM is creating one-on-one connections between the key account and the supplier. These connections are the strength of the overall relationship between the key account and the supplier.

Sales Process Alignment. The potential sale of a product or service to a key account is a very valuable opportunity. To take advantage of these opportunities the key account team must align the supplier organization with the sales process. This alignment is about timing and resources. A simple example clearly points this out. Often when the buying center is selecting the supplier (negotiating), an expert from the supplier's legal department is required. If this expertise is not available at the right time in the selling process an opportunity is missed and the sale is delayed or even lost—the competitor might be better aligned. We discuss the buying process and the sales process in detail in Chapter 2, but brief examples of the resources the selling center might require at the different stages of the sales process illustrates the importance and complexity of this alignment.

Sales & Buying Process Step	Supplier Resource
Need Recognition	KAM, Pre-Sales Analyst
Characteristic Determination	KAM, Product Marketing
Specification Establishment	KAM, Supply Chain Expert
Potential Source Identification	KAM, Marketing
Proposal Requests	KAM, Marketing, Finance
Proposal Evaluation	KAM, Legal Expertise
Supplier Selection	KAM, Executive Support
Post-Purchase Evaluation	KAM, Service Delivery

Figure 1.6 Sales Process Alignment Examples

The appropriate supplier resources must be available at the right time to support each step of a successful sales process. Each example of the necessary expertise in Figure 1.6 is just one such resource for each step. Magnify this complexity by including business segment or geographic specific requirements—it is common that many of the sales process steps take place in multiple key account locations. In addition to aligning the appropriate people with the sales process, the selling center must insure other resources such as trial products, promotional material and demonstration equipment are also available when necessary for *every sales opportunity* that is in process at any point in time. Note that the sales process presented here are more common milestones KAM needs to address along with aligned resources, rather than a rigid process to follow. As we will see in Chapter 2, the KAMP process gives a better idea and understanding of what the selling process to large customers is about.

One other key resource must be available at every step of the sales process—a CRM system that is used to document sales process activity. CRM is discussed in detail in Chapter 3. But for successful sales process alignment every member of the selling center must share and access information about the key account to communicate and work together. A CRM system facilitates this collaboration and supports access to the entirety of information about each sales opportunity. Use of a CRM system is how the KAM knows what resources are necessary and when the sales process step requiring that resource will take place. The KAM along with the administrative leader is responsible for making this happen, easily and all the time. Therefore it is critical that the KAM uses the system

constantly and model collaboration and information sharing actions. The other members of the permanent selling center must do the same.

The SCAP focuses the key account team on interface alignment, connection alignment, and sales process alignment; three processes that must be in place and constantly monitored to support a valuable key account—supplier relationship and a successful KAMP. The SCAP is important because in case of issues or failures when selling to large customers, the KAM would first need to review which dimensions of the three SCAP—interface alignment, connection alignment, and sales process alignment—lacked alignment. Such review also will have to be analyzed in regard to the KAMP that we address in Chapter 2.

Chapter 1: Summary and Key Points

1. Key account management is a specific business strategy that involves complex sales processes, large-scale negotiations, and the alignment of multiple internal and external stakeholders.
2. The decision to implement a key account program stems from two separate conclusions by the supplier: Some customers are more important than others, and the supplier's organization must *change* to support and enhance these critical accounts, rather than risk losing them.
3. Three management concepts support the key account decision: Customer lifetime value (CLV), defined as the expected revenue earned from a customer over the life of the relationship, less the cost of that relationship. Unrealized Potential Value (UPV), or the amount the sales organization could increase the value of a particular customer if it applied a strategy to do so. The Pareto principle (80/20 rule), according to which disproportionate shares of revenue and profits come from a few large customers.
4. Using the CLV, UPV, and 80/20 rule, suppliers should identify and rank the customers that represent the best prospect for achieving great results. By considering their potential value, the case for key accounts becomes obvious.
5. A two-pronged approach to managing customer relationships frames the objectives of a key account strategy: *Retain* existing accounts. Losing even one key account can have measurable negative financial

impacts. *Grow* key accounts. It is far easier to increase revenue among existing accounts than finding and selling to new ones.

6. Six criteria should inform the development of a list of *target* key accounts: Size, strategic importance, CLV, UPV, account fit, and relationship method.
7. The selling center is a network of stakeholders connected to a key account that might have a say in the course of a supplier's selling process and strategy. Permanent members always have a say and a vested interest; temporary member sometimes have a say and a vested interest.
8. Membership in the selling center should be defined according to three key account–specific factors: How the account wants to be managed, which reflects its position on the continuum of customer relationships from transactional to strategic. The supplier's operational ability to support the key account, as determined by operational fit. The opportunity to grow through critical factor of success, as measured by UPV through an Open Space analysis.
9. A selling center features eight possible roles. The permanent roles that support every account are key account sponsor, the key account executive, and the KAM. Five other roles might be appropriate, depending on the key account, and can be either permanent or temporary: one or more subject matter leaders, one or more geographic leader, the supply chain leaders, the administrative leaders, and one or more contributors.
10. The Selling Center Alignment Process (SCAP) is a framework to guide KAMs in providing direction to selling center members to achieve their mutual objectives. The three alignment processes in SCAP are interface alignment, connections alignment, and sales process alignment.

CHAPTER 2

Building and Delivering Value to Key Accounts

Price is what you pay. Benefits are what you look for!
—Adapted from Warren Buffett

Building and delivering value to customers is the single most important objective for key account managers (KAMs). Because buying centers consist of multiple stakeholders, KAMs deal with multiple customers in a single organization, making it critical for them to understand which benefits the buying centers' members seek and receive while contracting with a vendor. In this chapter, we define buying centers' structure and behavior. We also provide a prescriptive guide for analyzing key accounts to ensure better value delivery.

Integrating the Selling Center with the Buying Center

Understanding Buying Centers' Structure and Behavior

Large organizations procure through buying centers, constrained by their budget, profit-and-loss considerations, and the complex interactions that take place both within and outside the organization. Organizational buying involves explicit and implicit procedures and choice criteria too. Thus, KAMs must understand who the members of the buying center are, before they initiate the sales process or negotiations.

Buying centers feature participants, interactions, and processes. A buying center is *a network of stakeholders connected to an organization*

that might have a say in the course of an organization's buying process and decision. Whether they express a point of view, influence the final decision, or are responsible for engaging the organization with their signatures, buying centers' stakeholders must be identified, and their roles clearly understood and leveraged, for the seller to hope to establish a successful relationship.

A long tradition of research addresses organizational buying processes and behavior. Since Webster and Wind's and Sheth's early[27] foundational work, several comprehensive frameworks have proposed what buying centers are and how they operate. We complement such approaches with our own framework.

Webster and Wind proposed the first generalized model, recognizing the complexity and dynamics of buying centers that emerge when an organization confronts a purchasing situation for which it cannot find an internal solution. To this end, these groups organize structures, with goals and actors, and assign specific task activities. However, the inherent differences across individual members means that each participant has a unique motivation, cognitive structure, personality, learning process, and perceived role with regard to contributions to the buying center. Organizational buying decisions thus reflect participants' explicit and implicit roles, including:[28]

- Users
- Buyers
- Influencers
- Deciders
- Gatekeepers

Social and interpersonal influences also determine the functioning of buying centers. Thus, it is important to understand and discriminate among stakeholders' roles. *Users* are members who employ or supervise the usage of purchased products or services. They are the reason KAMs call on large customers; they benefit specifically from the solution that the vendor provides.

Buyers are responsible for understanding and anticipating their organization's needs, then identifying, negotiating with, and selecting the

right suppliers with the least risk. They work closely with deciders and users to qualify and quantify their needs, along with suppliers that have the potential to fulfill those needs. Because they largely determine the organization's costs, they tend to be inclined to focus on prices rather than on value.

Influencers affect the buying process and final decision through their specific authority or information they possess.

Deciders have the authority to make the final choice among suppliers, using their discretionary access to the budget. They give final approval.

Gatekeepers exert control over information and relationships within the buying center. Although they do not determine the final decision, they can greatly influence the vendor's sales process and its velocity.

Each buying center member also might occupy multiple roles, or several participants could fulfill a single role. For example, publicly traded companies use audit committees to oversee the selection of audit firms who will certify their financial statements. Although members of audit committees belong to board of directors, they may not share the same influence when approving audit firms selection. In some companies, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) may both be deciders, whereas in others, the CFO may be the unique decision maker. When bidding for and negotiating with potential clients, it is important for audit firms' partners to understand audit committees' network of power and responsibility beforehand.

Sheth complements Webster and Wind's framework further by specifying the information sources to which buying center members are exposed, the extent to which they make decisions jointly or autonomously, and potential conflicts.[29] First, different sources of information are available to participants in organizations' buying process, such as salespeople, exhibitions and trade shows, direct mail, press releases, journal advertising, professional and technical conferences, trade news, or word of mouth. However, all buying center members are not exposed in the same way to all these sources. Purchasing agents might be the only ones who interact regularly with salespeople, for example. Thus, buying center members come from different backgrounds, according to the very nature of their roles and positions, but they also impose specific biases on the buying process that reflect information they possess (or lack). KAMs

must manage these inputs, to influence buying centers participants' perceptions and behavior. We cover this effort in Chapter 4.

Second, buying centers' decisions might be made jointly or autonomously. The extent to which decisions are made jointly usually depends on factors related to the focal product or solution. When the purchase carries risks, it is common for multiple participants to decide jointly. If similar purchases happen routinely and repetitively, the pool of deciding participants shrinks. Joint decision making also depends on how the buying process begins. When buying decisions reflect the continuous, planned need for supplies, the specifications and recommendations already exist for the products, so the purchasing agents (i.e., buyers) are responsible to search for and analyze information about suppliers and appropriate products. However, when purchases are uncommon or new, multiple participants from different functions are usually involved in active information search and sharing.

Third, because organizational buying processes rely on group decisions and deliberations, political issues and conflicts often arise. Depending on the type of conflicts, the supplier's selling center and the KAM might need to engage in resolution tactics, such as problem solving, persuasion, bargaining, and politicking.

In an attempt to integrate 25 years of research on organizational buying behavior since Webster and Wind's and Sheth's groundbreaking work, Johnston and Lewin shed light on three important issues:[30] (i) organizational buying behavior occurs through different stages, (ii) buying centers operate in the face of a lot of role stress, and (iii) intra- and interorganizational communication networks make the process even more complex.

In turn, the buying process actually mirrors the selling process, in eight specific behaviors and stages:

1. Need recognition
2. Characteristic determination
3. Specification establishment
4. Potential source identification
5. Proposal requests
6. Proposal evaluation

7. Supplier selection
8. Post-purchase evaluation

This process is greatly affected by role stress (e.g., role ambiguity, role conflict). Role ambiguity refers the degree to which participants have relevant information about the purchase. For example, are the procurement agents fully aware of users' implicit and explicit needs before they identify suppliers? Role conflict arises when buying center members face incompatibility and conflicting demands, such as when top management pressures them to increase margins by reducing the purchase prices but also stress the need for high product quality.

As our definition of a buying center—a network of stakeholders connected to an organization that might have a say in the organizational buying process and decision—implies, multiple networks of relations arise during the organizational buying process. Johnston and Lewin thus view organizations as network hubs, in which complex relationships and interactions take place. Members of buying centers communicate both inside the organization and outside, including members of the selling center, peers, and consultants, during professional exhibitions, trade shows, and so forth. The KAM must identify and leverage these intra- and interorganizational communication networks, to push buying center members to consider the appropriate purchasing criteria at the right time.

From their review of 165 published studies of how buying centers operate, Johnston and Lewin offer some interesting conclusions about attitudes and behaviors. Perceived risk remains a central concern; reducing the level of risk associated with procurement decisions is a critical mission for KAMs. Prior relationships and existing communication channels between the selling and buying centers reduce the amount of perceived risk; the strength and depth of these relationships deeply influence the level of risk associated with a purchase. In general, the higher the level of risk, the more complex the buying center, the more formal the decision rules, the more active the information search, the more complex the interaction networks, and the more substantial the negotiation.

Participants in the decision-making process also appear to be growing more and more educated. Yet this development does not decrease potential conflicts among buying center members, because their increased

education leads them to establish higher expectations and less willingness to make concessions. In this sense, a big part of KAMs' role consists of helping the selling center and the buying center function cooperatively, in an information-sharing mode, to decrease the level of role stress for all involved parties.

Despite the common goal of a tremendous amount of research to identify a few powerful factors that can account for variance in organizational buying processes, it has remained difficult to do so. Capturing the very essence of how buying centers function may be impossible, considering the diversity of industries, products, and internal and external political issues in business-to-business settings. Research into what buying centers are and how they behave thus continues.

In this tradition, we seek to complement Webster and Wind's description of the buying center structure and participants by adding two members and roles. That is, we agree with the established, implicit and explicit roles of users, buyers, influencers, deciders, and gatekeepers, but we assert that buying centers also include:

- Advisors
- Facilitators

Advisors and facilitators could be counted as influencers in Webster and Wind's classification, but in practice, they represent different levels. Recognizing the granularity of these levels is critical, because it demonstrates that influencers can drive the buying process through their specific authority or information, which in turn demands specific efforts by the KAM to invoke preferred attitudes and behaviors. Not all influencers are the same, so they require different selling strategies during the sales process. With the development of information technology and social networks over the Internet, for example, some influencers provide substantial information through online forums, reviews, newsletters, or blogs, yet they might not be real advisors or facilitators.

Advisors are credible, reliable sources of knowledge and information for the organization and buying center. Their credibility, reliability, and authority is usually rooted in their expertise. They might contribute to the buying process through a pull or a push approach. A pull approach implies that they

have been specifically consulted to provide their expertise and opinion. Their help is valued because it offers an independent perspective on the supplier's offering. A push approach instead exists when advisors take some initiatives during the buying process to provide their perspective. Depending on their level of commitment, they might look for additional information, if they believe it matters to the appraisal of the solution. Influencers include various people that the buyers or users meet at trade shows or professional meetings; advisors instead act more as consultants to the decider on the focal project. They might be consulted on purpose or just behave as such in their role within the buying organization. The most influential advisor would be qualified as a dominant advisor. Buying centers' members will absolutely listen to a dominant advisor's opinion before making a decision. Although dominant advisors are not always present or easy to identify, KAMs should recognize their role and eventually incorporate them into their selling strategy.

Facilitators are buying center members who support or sponsor the supplier, by lobbying for the project within the organization and buying center. Their support is critical, not only because of their ability to convince other buying center members but also due to their knowledge of how to navigate the buying process strategically. Facilitators may have some technical expertise, but their main value pertains to their political influence over buying center participants, including users, buyers, deciders, and advisors. They might want to promote the KAM's project because they understand the benefits for the organization or because they will gain personal advantages from the purchase. Facilitators help and coach the KAM during the decision making process. They also help and coach the buying center's members for the benefit of the KAM. Because not all influencers behave as true facilitators, KAMs must identify and develop specific relationships with facilitators early during the sales process. As we explain subsequently, the end result often depends largely on mediation by facilitators. In fact, KAMs can hardly win any key account deal without the help of a facilitator. Figure 2.1 summarizes buying centers' structure and members' unique roles.

Driving the Key Account Management Process

Even our simple definition of a buying center reveals why buying centers are complex. To further understand the mission assigned to KAMs, we

Members	Role
Gatekeepers	Exert control over information and relationships within the buying center
Buyers	Have the responsibility to understand and anticipate their organization's needs, and to identify, negotiate with and select the right suppliers at the lowest level of risk
Users	Utilize or supervise the usage of the purchased products or services
Influencers	Influence the buying process and final decision through specific authority or information they possess
Advisors	Represent credible and reliable sought after source of knowledge and information for buying center's members
Facilitators	Support or sponsor the supplier by lobbying for the project within the organization and buying center
Deciders	Have the authority to make the final choice among the suppliers using a discretionary access to the budget

Figure 2.1 Buying Center Members and Roles

also need to specify what introduces such complexity to buying centers. Complexity refers to the quality of being complicated, due to interconnections of multiple elements that prevent straightforward comprehension of the subject matter. Complexity may arise from the subject matter (e.g., selling enterprise technology to manage global organizations' customer data and information) or the subject matter environment (e.g., political and economic instabilities surrounding the sales of mining equipment in an African country). Yet complexity does not necessarily mean disorder; rather, it indicates that the interactions among the elements leading to the end result carry a great deal of uncertainty and unpredictability. These factors are exactly what KAMs must manage when calling on large accounts, that is, uncertainty and unpredictability surrounding the buying center. In turn, these are the two main reasons selling to large accounts is complex.

A critical element of large account sales is the KAM's ability to foresee obstacles that may interfere with the selling process and find solutions for each of them. As we discussed in Chapter 1, many of these obstacles stem from the selling center itself. Here, we focus on how the functioning of the buying center generates obstacles in the interactions among members. Some of these obstacles may be evident, such as when the customer tells the KAM that a proposal fails to match some technical criteria, but others are not explicit and difficult to discern, such as simmering power conflicts between the buyer and the facilitator. Still, it remains the KAM's duty to

identify and apprehend the role of each buying center member, then leverage their respective influences at the right moment during the sales process.

Despite the difficulty of identifying all the factors that explain how organizational buying centers function and how their members interact, it is also necessary to go beyond a simple description of the buying center's structure and behavior, to help KAMs conduct the sales process and reach satisfactory outcomes. By regarding organizational buying as a network of stakeholders connected to an organization, each of whom might have a say in the organizational buying process and decision, we can develop a relevant framework to guide KAMs *in the course of* their complex selling endeavors to buying centers. We call our approach the *Key Account Management Process (KAMP)*.[31]

The KAMP

Because buying centers involve members, interactions, and behaviors, viewing key account management as a process is both interesting and relevant: interesting, because it helps focus on the process and not members' roles, and relevant, because if members fulfill their roles through interactions and processes, KAMs can cope better with the uncertainty and unpredictability associated with buying centers. In this sense, we view KAMs as *project managers*, at the interface of the supplier and the customer. As for any project management, the KAMP necessitates both strategic reflections and tactical executions, because KAMs sometimes deal with multiple accounts at the same time.

KAMP as a Strategic Reflection. KAMs hold unique positions in customers' eyes. They represent the supplier, but they are also the customer advocate within the selling center. To embrace their roles, KAMs must be knowledgeable about their customers' environment, business, and competitive challenges. Their credibility within the buying center relies largely on their business acumen.

KAMs' strategic reflections are rooted in their permanent questioning of their customer portfolios. Because large account management means flexibility in response to customers' change processes, KAMs' success relies more on their ability *to drive and control the change process within a*

customer organization, than the content of their value proposition. Multiple competitors likely provide similar, relevant value propositions, but they are unlikely to have identical levels of relationship quality with the customer. To feed their strategic reflections and execute a change process properly with customers, KAMs must obsessively:

1. Understand their customers' business environment
2. Be aware of their customers' strategy and business models
3. Carefully identify and analyze how buying centers behave
4. Identify involved competitors and their power within the buying centers
5. Understand competitors' strategies and behaviors
6. Elaborate hypotheses about buying centers and competitors and verify the hypotheses with facts and discussions in the field
7. Define specific selling and negotiation strategies for each customer
8. Anticipate explicit and implicit obstacles for each customer and overcome them diplomatically
9. Adjust their value propositions and revise their proposals when necessary
10. Follow up with buying center stakeholders who request specific attention

For example, audit firms' market has evolved to where customers see audit services (i.e., the independent examination of a company's books, statements, records, operations, and performances to assess if the financial statements represent a true and fair view of the business) as a commodity. This means that customers do not easily differentiate audit firms' services from one another, thus imposing strong competition on price. Such perception not only has changed the business environment, but also how buying centers (e.g., audit committees) behave and negotiate with audit firms' partners. Accordingly, the latter whose responsibility pertains to managing large customers, such as publicly traded companies, need to conduct strategic reflections and find new ways to differentiate their value proposition and escape from a commodity business. In Chapter 4 Section 2, we describe how building the right differentiating strategy and segmenting the market may help position suppliers' offerings when dealing with large customers.

Implicit to the 10 strategic reflection obsessions presented above is the permanence of KAMs' learning process. This learning process pertains to the customer environment, the customer's business, and the customer account. The way KAMs leverage their information and knowledge pertaining to these factors determines the quality of the relationship they establish with the customers.

In addition, KAMs must assess and address short-term, medium-term, and long-term objectives, which require them to consider six generic, strategic questions at all times:

1. Where do I stand today within each of my key accounts?
2. What explains my current position with regard to the customer environment, the customer business, and the customer account?
3. Where should I be in the short term (3 to 6 months), medium term (6 to 18 months), and long term (beyond 18 months)?
4. What should I do to fulfill my short-, medium-, and long-term objectives?
5. Which objectives should be revised, and what alternative options do I have?
6. Who can support my strategy within each buying center, within the selling center, how, and when?

Although setting short-, medium-, and long-term objectives is critical, the KAM's success relies on his or her ability to revise his or her objectives as the relationships within the buying center evolve. The dynamic KAMP often necessitates reappraisals of objectives. For example, buying center members evolve and change positions, competitors change strategies, the environment shifts in response to economic or political changes, and so on. Key account management thus is a process that requires KAMs to reevaluate and appraise their position constantly: *Where do I stand today within each of my key accounts?*

In turn, we can focus on the strategic reflection that relates to each specific account in a KAM's customer portfolio, associated with three sets of questions that reflect the (i) customer environment, (ii) customer business, and (iii) customer account. The main objective is to understand what features

affect the customer's business activities, to assess the supplier's absolute position within the account, and to determine its relative position with respect to competitors. In addition, this analysis may detail some of the concerns the buying center has during the selling process.

Questions related to the customer environment grant the KAM insight into what is going on in the customer industry. Some general environment questions include:

- What political, legal, economic, and social changes could affect the market?
- What technological developments could influence production in this market?
- What technological developments might affect demand in this market?

Questions related to the customer business address both market and competitive pressures to help appraise what the customer does and how healthy its marketing strategy is. Questions dealing with the market are:

- What is the market size, in volume or in value?
- What are some key market trends?
- Who are the customers?
- What are the customers' main expectations and needs?
- What are the main causes of customers' satisfaction or dissatisfaction?
- What are the main marketing factors to which customers are the most sensitive?
- What can affect customer demand?

Other questions address competitive pressures, such as:

- What is the customer strategy?
- What is the customer's business model for accomplishing its strategy?
- How well is the customer doing in the market and from a financial perspective?

- Who are the competitors?
- What are the competitors' market shares?
- What determines competitors' competitive advantage?
- What is competitors' image in the market?
- What is the dominant type of competitive behavior?
- How do the competitors differentiate themselves from one another?
- What are the strengths and weaknesses of competitors?
- What are the entry barriers to this market?
- What factors might affect price changes in this market?

Finally, KAMs must ask questions about the customer account, to evaluate the supplier's absolute and relative position with regard to the account. The following questions address the absolute position:

- What is the current organization chart? Who does what?
- Who constitutes the buying center, in terms of gatekeepers, buyers, users, influencers, advisors, facilitators, and deciders?
- What is the sociological and political chart? Who influences whom, for which types of decisions, and why?
- What is the buying cycle for the type of solution I provide?
- Who has a say when defining the budget?
- What products does this customer purchase from us? In volume, in value?
- What are the recency and frequency of such purchases?
- What are the main reasons we have been selected as a supplier?
- To what extent are we considered a preferred supplier? Why?

The following questions instead capture the supplier's relative position for the account:

- Who are the customer's other suppliers with regard to its strategy?
- How long have they been working together? Why? How do those suppliers support its strategy?

- What type of relationship is this customer looking for with its suppliers?
- How many competitors do I have in this account? Who are they?
- What is my market share? In volume, in value?
- What are my competitors' market shares? In volume, in value?
- What explains my market share and my competitors'?
- What factors might affect my relationship with the buying center members?
- What factors might affect my competitors' relationships with the buying center members?

This list of questions looks intimidating; it also shows that KAMs cannot take their responsibilities lightly. When looking for specific answers to assess his position within an account, one of the authors had the opportunity to receive through competitive intelligence activities a report from an intern who conducted a thoroughness analysis of all printing and copying equipment a large customer contracted with its suppliers. This report helped answer many of the questions related to Xerox absolute and relative position within this specific account.

Because the success of both the supplier and the KAM depend on the customer's success, an exhaustive analysis of how demand evolves and drives the supplier's activities is of paramount importance. KAMs are in a derived demand business. As we discuss in Chapter 3, many answers to these questions should be available and managed already, through the supplier's CRM system. In terms of business acumen, these questions can also help KAMs assess their existing knowledge about their accounts. Because these questions are critical for managing large customers, if any answers remain unknown, they need to be found.

KAMP as a Tactical Execution. When dealing with buying centers, KAMs should pay particular attention to two specific members: deciders and facilitators. We do not mean to suggest that gatekeepers, buyers, users, influencers, and advisors are not important. Yet experience shows that they can be managed more easily if the KAM knows the deciders' expectations and can work well with facilitators.

As we stated previously, deciders have the authority to select among the proposed alternatives, which is a heavy responsibility. Deciders also tend to be difficult to identify and to reach. In an effort to uncover them, KAMs should first carefully assess the investment and risk associated with the purchase decision. The higher the investment and risk, the higher the position of the decider within the customer account.

The answers to the preceding strategic reflection questions should also provide interesting insights. A deep understanding of the current customer environment and demand—including market and competitive pressures—should inform the KAM about the customer's performance in the marketplace, the health of its marketing strategy, and the buying context in which deciders likely reside. The greater the economic impact of the KAM's product on the customer's business and success, the higher the position of the decider.

Another way to identify a potential decider may be sometimes to consider this responsibility in the supplier company, and then look for a similar role in the client company. When this assessment leads to a specific decider, identified on an official organization chart, it is important to validate the information by assessing sociological or political organization charts. For example, the KAM might ask facilitators who will be involved as a decider in the final decision.

The identification of the right facilitators arguably is even more important. Because facilitators support or sponsor the supplier by lobbying with deciders, buyers, or users, their influence over the buying process is notable. In turn, the KAM must assess how likely he or she is to benefit from a specific facilitator, according to his or her personal reputation. The higher the level of trust and relationship closeness with a facilitator, the more this facilitator should be willing to help the KAM. Yet the chosen facilitator also needs to enjoy a strong reputation and connections throughout the buying center, especially with the buyer, decider, advisors, and users, to ensure they will listen to the facilitator's input. Finally, it is critical to understand why a facilitator might support the KAM's proposed solution instead of competitors'. Acting as a facilitator takes time and can impose organizational risks, so assessing the facilitator's personal interest can help the vendor behave appropriately. Accurate assessments

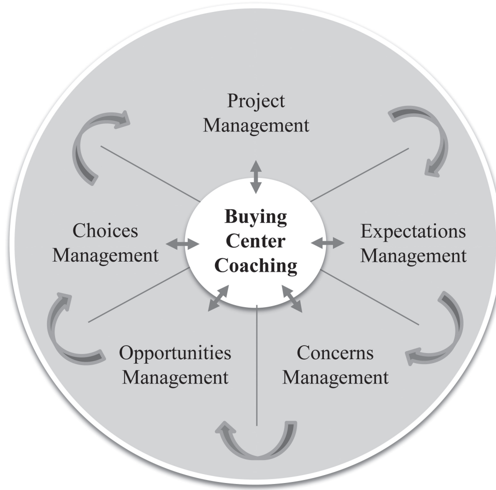


Figure 2.2 KAMP Components

can help the KAM appraise the granularity of an influencer's ability to be of real help and support.

As a next step, we specify more precisely what the KAMP entails. It relies on five specific, interrelated actions that leverage the buying center (see Figure 2.2). If the KAM is a project manager, in charge of adapting to change within the customer organization, it is critical to consider each KAMP component as a managerial endeavor. The KAMP dimensions are:

1. Project management
2. Expectations management
3. Concerns management
4. Opportunities management
5. Choices management

KAMs do not manage the buying center per se; they manage the change process, which reflects the solution they try to sell to and implement within the customer account. The five dimensions of this change process are not sequential, nor should they be managed sequentially, one after another. Instead, they need to be managed simultaneously, which is part of what makes key accounts complex: KAMs need to know how to navigate five actions at the same time. We specify this process in the following paragraphs.

Project Management. A project is *a temporary enterprise, designed to produce a specific outcome*. Because KAMs usually manage several accounts with ongoing sales deals (despite the ideal of one account per KAM that we noted in Chapter 1), it is important to view each sales deal as an independent project, with a start, specific milestones, and an end. Any key account sales process thus should proceed through *project initiation,* followed by *project objectives, project planning, project execution,* and *project control* related to the pursued objectives. Moreover, the KAM will take charge of managing all ongoing sales deals, within the resource constraints imposed by his or her own organization and the customer's.

Project initiation means kicking off the sales process for the focal deal. Here, we differentiate between project pull and push. Project pull occurs in response to a specific request from the customer organization (e.g., request for proposal, specific demand from a member of the buying center, establishment of a buying committee, formal request for a presentation). Project push results from need identification by the KAM. The KAM should always be looking for a project push; a key job responsibility is to identify the customer's potential needs, which the supplier can resolve. This task is also important for the opportunity management and choice management dimensions of the KAMP.

Along with project initiation, the KAM must envision specific *project objectives* for each sales deal, in accordance with the strategic reflection process he or she undertook previously. That is, the sales deal objectives must serve the short-, medium-, and long-term objectives. Sales deal objectives might be economic or sociological/political. The former refer to the volume and value of the sales at stake: the solution to sell, at what target price and profit margin level. Such objectives also potentially depend on the KAM's sales quota. The objectives pertain to the customer and supplier. Customer-related sociological/political objectives refer to the buying center members that must be identified, contacted, and leveraged during the sales process. Supplier-related sociological/political objectives deal with the selling center members that the KAM can count on, as resources during the sales process.

Project planning entails the design and organization of all non-selling and selling activities related to the sales deal. When the buying and selling center members all have been identified, they still need to be contacted

and mobilized for specific purposes. The KAM also should write and revise multiple, customized proposals; conduct phone calls, meetings, and presentations; and request approvals from relevant authorities within the supplier organization and the customer. As Chapter 3 details, the CRM system can be of great help in project planning. Furthermore, project planning should produce a subdivision of the whole sales project into parts, with intermediary results expected for each part before moving forward. For example, when interacting with buying center facilitators, the KAM should wait for their input before advancing. Some members of the selling center might want to move faster, but doing so means the account holder might not have sufficient time to specify what should be done, when, and why. Because the KAM is responsible for the relationship with the customer, he or she is the one to establish the plan of when to do what, and then stick to it. Finally, the planning process should summarize all potential obstacles that may arise. Because complex sales create important investments and risks, obstacles invariably appear along the way. Anticipating them and finding specific resources and information to solve them is a big part of the KAM's mission. Non-selling and selling tasks and events can be carefully anticipated and planned, but unexpected, ad hoc situations and issues still will arise. In this sense, the KAM must be flexible enough to revise the planned approach, all throughout the sales process.

Project execution is implicit to project planning; it represents engagement in all non-selling and selling activities. In essence, the KAM must coordinate the process by managing project execution with regard to milestones, manage stakeholders' expectations across both the buying center and the selling center, and ensure that the approach proceeds in line with the economical and sociological/political objectives. Just like for the project planning part, the CRM system is also of critical importance to align and conduct the sales process smoothly from a collaborative perspective. We also detail this in Chapter 3.

Finally, through the *project control* phase, the KAM checks to make sure the project continues as planned, mainly by addressing and overcoming problems that arise during the sales process. As mentioned previously, obstacles should be anticipated and solved when they appear. Without ongoing attention to what might go wrong, the KAM might allow issues

to persist and jeopardize the sales process success. Alternative options need to be considered, and corrective actions must follow, with appropriate resources devoted to implementing them.

Not all project management phases—initiation, objectives, planning, execution, and control—demand the same investment from a KAM; they should be prepared to spend more time on the planning and execution stages. Successful, complex sales usually rely on planning and execution. Especially if things do not go as planned, KAMs should prepare to spend more time on these two aspects. Re-planning and re-executing the plan is part of the process; any time reality or the field tell the KAM to revise his or her assumptions.

The project management dimension of KAMP entails mental preparation, rather than just a succession of sequences to complete, like a checklist. Underlying the project initiation, project objectives, project planning, project execution, and project control stages are the overall idea that selling to large accounts demands careful analysis and management to deal with this temporary, uncertain process. The unpredictability of complex sales can be reduced with a project management approach, especially one that features sound re-planning and re-execution.

Expectations Management. Expectations refer to *wants or desires in the future*. Buying centers contain members with distinct personal wishes, reflecting their varied roles, so expectations arise throughout the sales process. Consequently, the KAM must manage expectations. It is also the KAM's responsibility to create specific expectations that he or she can fulfill, to lead the sales deal to the preferred outcome. People are satisfied when their expectations are met, and expectations are positively motivated. That is, people want to move forward to meet their expectations.

Expectations management thus demands the KAM's ability to position him- or herself as a solution provider. KAMs should manage two main types of expectations toward the buying center: (i) solution-based and (ii) relational-based expectations.

Solution-based expectations focus on the value proposition that the solution provides for the customer, as a result of implementing that solution within the customer organization. It mainly reflects the potential economic gain for the organization.

Relational-based expectations instead refer to interpersonal gains that members of the buying center might achieve by implementing the purchased solution. For example, members of the buying center might care more about how the sales deal affects their job and position or relationships with others in their organization. Understanding the main expectations buying centers members seek, and transforming their problems into explicit needs, requires substantial observation, time, and effort from KAMs. Yet it is also instrumental to positioning the selling strategy in accordance with the buying center, its needs, and its expectations.

Concerns Management. A concern *is a matter of interest or worry to someone*. By definition, complex sales mobilize many people from the buying center and the selling center and carry a lot of uncertainty and unpredictability. Moreover, complex sales affect customer activities and require authorizations from people in command, because of the associated financial investments and risks. Thus, concerns that can slow down or even halt a deal arise at virtually any time. Perhaps the greatest concerns for KAMs are sudden surprises that threaten the project—which is why concerns must be anticipated and managed upfront, before they jeopardize the deal.

Similar to the expectations management issues, concerns might be solution-based and economic or relational-based and political. Solution-based concerns refer to objections to the proposed solution, usually because members of the buying center do not understand the benefits or see how the solution can fulfill their needs. Relational-based concerns instead stem from interpersonal political issues that the solution might create, if the customer organization were to purchase it. These objections tend to be less obvious and difficult to overcome, but they are also often more important than solution-based concerns. Implementing a specific solution could increase tension levels or create new stresses across people, departments, and divisions. Because budget issues underlie every purchase, buying center members often worry about financial risks. Contrary to expectations, which are positively motivated, concerns are negatively motivated, so people want to slow down, stop, or avoid concerns.

To engage in concern management, the KAM must attend to all potential concerns that members of the buying center might have, clarify

those concerns, and then find a way to solve them by leveraging his or her own skills, as well as the capabilities possessed by the selling center. Although the ideal would be to eliminate all concerns as they arise, sometimes this will not be possible. Instead, reducing concerns so that the sales process can move forward is the main realistic objective. Such concerns management involves two implicit considerations: preventing versus curing and installing and securing a trustworthy atmosphere between the buying center and the selling center to facilitate the decision-making process.

To identify potential concerns, KAMs might set up an *alarm system*, with the cooperation of specific members of the buying center, asking them to send signals whenever they perceive potential obstacles in the sales process. The best person to provide the alarm system is the facilitator, who is committed to facilitating the sales deal. Thus, he or she should be willing to direct attention to the potential concerns of deciders, users, advisors, or buyers. Moreover, the KAM should establish a personal alarm system, alerting him or her any time the smooth progress of the deal is interrupted. For example, the KAM might recognize a lack of receptivity among the buying center's key stakeholders; their concerns are focused elsewhere, not on the deal. Indicators of a lack of receptivity concern are:

- Not receiving requested information
- Not receiving reliable information
- Receiving contradictory information
- Receiving unrealistic requests
- Reduced contacts with key stakeholders
- No clear, compelling reasons to justify the purchase
- Inability to move from implied to explicit needs

Another concern arises if the buying center's stakeholders exhibit high anxiety, often manifested as a high number of requests. Indicators of high anxiety concerns include:

- High demands for information
- High demands for meetings
- Reappearance of objections already raised and addressed

- Contradictions in the type of objections raised
- Poor receptiveness to the information provided
- Questioning of the supplier's credibility and experience

Usually, lack of receptivity concerns appear at the beginning of the sales process, whereas high anxiety concerns arise toward the middle or end. KAMs need a straightforward process in place to manage both types throughout the sales process. First, they should assess the danger of the various obstacles and objections, whether by relying on a probing strategy or by requesting help from the facilitator. Second, KAMs should identify the best person in the selling center to assign to addressing the concerns—whether one of the team members, a senior executive, or the KAM him- or herself. Third, to overcome the concerns, KAMs should take a specific project management task and event approach, as described previously. Fourth, they must verify the extent to which the concerns have been handled. As these descriptions clearly show, project management, expectations management, and concern management are tightly interconnected in the KAMP process.

Opportunities Management. An opportunity is *a potential sales deal that has been qualified*. As with expectations management, it is important for KAMs to qualify their leads and potential customers' needs, before mobilizing the resources of the selling center. Four checkpoints can help them qualify leads and customers' potential needs, using the acronym CABS:

1. Compelling reason
2. Authority leverage
3. Budget availability
4. Supporting allies

First, the KAM should verify if the customer has a compelling reason to resolve its problem, as well as its time horizon in relation to other problems. Organizational buying is inherently budget constrained, so not all buying decisions can occur at the same moment. Buyers must prioritize their purchases and make trade-offs; KAMs similarly need to appraise the extent to which a compelling reason will advance their

sales project. Imagine, for example, that a customer needs to move from laptops to tablets, to fulfill a promise to the sales force. But two manufacturing machines in its plant also need to be replaced, to fulfill increasing demand. In this case, the compelling reason to change the manufacturing machines overcomes the reason for buying laptops. In balancing both compelling reasons, a KAM selling laptops should recognize that it needs to focus on another account for a little while, then call again on this particular customer after the manufacturing machines have been replaced.

Second, the KAM should guarantee he or she is talking to the buying center members with authority to make purchasing decisions. Authority leverage refers to the extent to which the account manager can access the right decision makers in the customer organization, namely, the buyers and deciders. Talking to buyers should not be an issue; it is their job to identify and select suppliers. But accessing deciders is far more difficult. Early in the KAMP, the KAMs thus should confirm that the buying organization's key decision makers are aware of the sales project.

Third, no large sales occur without budget approval. Usually, buyers and deciders are in charge of authorizing expenses. Therefore, the KAM needs to verify if the sales project falls within the limits of what is likely to be approved.

Fourth, because complex sales require allies, who can guide and champion the KAM within the client organization, finding such support should be an early objective. Without guidance and information from a facilitator, KAMs likely face tougher resistance within the buying center, leading them to waste time and energy on a project that ultimately might not succeed.

After KAMs have checked their CABS—confirmed that there is a compelling reason for the customer to move forward, they can leverage the right authority to make the decision, the budget is available, and allies will help lead the process internally—they may consider these leads qualified and proceed in the process.

It is also important to note that opportunities might originate with sales leads from the KAM (push leads) or from the environment (pull leads). With push leads, the KAM tackles customer problems for which the supplier has a solution. Citing the supplier's product portfolio, the

KAM initiates conversations with buying center members, which might become opportunities. With pull leads, the KAM instead receives ideas and suggestions from people related in some way to the customer organization, which then need to be qualified. Such leads often represent great business opportunities. To identify potential opportunities, KAMs need to initiate engaging conversations with buying centers' members. Key to this objective is to uncover potential problems and needs the customer might have. We address this in the following section on value analysis and delivery. Moreover, the success of opportunities management also depends on how well information is rendered available and accessible to the KAM, such as through the CRM system described in Chapter 3. His or her ability to deal with all the opportunities related to the account depends on how he or she leverages the system and understand buying centers' members' search for value.

Choices Management. A choice is *a selection among several alternatives*. Choice management is a big part of key account management and a key dimension of the KAMP. It involves two main concepts. First, choice management is about guiding the customer throughout the sales process. Second, it involves balancing the KAM's own choices during the sales project.

The former is buyer-based choice management, which seeks to identify key buying center members' decision criteria and leveraging them during the sales process. Because buying center members have expectations and concerns (recall the expectations and concerns management dimensions of the KAMP), their final decisions take place when their choice criteria have been met. The KAM needs to identify those criteria and then weight them. For example, a buyer's main choice criteria might be the price, product quality, and reliable after-sales service, whereas the decider's main criteria are product quality and the potential return on the investment. Users' choice criteria include the ease of use, but the facilitator's choice criterion pertains to his or her own visibility if the organization contracts with a reputable supplier. A further important aspect of buyer-based choice depends on competitive alternatives, because competitors form and frame customers' expectations, which then influence their choices. A buyer's choice of price range and specific features might reflect a competitor's price positioning or advantages. Thus, each buying

center member adopts different decision-making process attributes, all of which need to be understood and met by the KAM.

Seller-based choice management instead refers to the KAM's own choice when selecting and presenting the value proposition to the customer. The goal is to match buying center preferences, but if several solutions are available, they need to be balanced on the basis of the supplier's economic objectives, the KAM's quota, and competitive offerings. Overall, the goal is to differentiate the supplier's own solution from competitors' and ensure that buying center members understand the economic and political benefits they can gain. Accordingly, seller-based choice management relies on customers' requests and requirements, as well as the KAM's ability to influence these elements. No KAM wants to discover, only after reading the request for proposal specifications and requirements, that the supplier's existing solutions cannot satisfy the customer. Choice management likely requires the KAM to collaborate with customer even before a request for proposal. This initiative pertains to the initiation stage of the project management dimension of the KAMP. As we touched on previously, this step should help the KAM react more effectively to both project pull and project push initiations.

Both authors quite often experience the KAMP components when selling and conducting executive education training, coaching, and consulting projects for the Sales Excellence Institute at the University of Houston Bauer College of Business. Managing such engagements not only requires they be treated as projects and opportunities with specific deadlines, but also to deeply understand the expectations of customers who are legitimately interested in fulfilling their personal agenda while growing their company's business. In several circumstances, however, foreseeing and managing buying centers' members' solution-based and relational-based expectations are very critical. We accomplish this by identifying and leveraging the right informants who help decode the decision-making process. One of those informants facilitated our work to a great deal helping position several request for proposals which led to multiple engagements with the same company.

Coach the Buying Center. The five KAMP dimensions demonstrate the importance of managing key accounts as sales projects, with a start, end, and

multiple obstacles to identify and overcome along the way. This approach helps KAMs cope with the uncertainty and unpredictability of large customers and complex sales. Across all the KAMP dimensions, we have described a proactive KAM. In a sense, the KAM's central responsibility is to coach the buying center through the five KAMP dimensions. This behavior pertains to the KAM's leadership role, which we address in Chapter 4.

Value Analysis and Delivery to Key Accounts

The KAMP provides a general perspective on approaching large accounts and complex sales. Yet for each specific account, the KAM also needs to leverage his or her value proposition and regularly conduct account analyses to deliver such value adequately and consistently. We first define what value is for key accounts and the buying center, before outlining a guide for how to diagnose and deliver such value properly.

What Is Value for Key Accounts and the Buying Center

What is value for major customers? Every key account program should start with this question, while designating specific customers as key accounts. The supplier must understand what type of value a large customer seeks and how to deliver it through a key account approach.

What Is Key Account Customer Value?

To understand how value is created and shared, we need to understand what the concept of value really entails. Serving large customers adds costs to the supplier's sales organization, because it requires a tremendous amount of resources. Before expending such resources, it is critical to determine what customers consider worthwhile.

The concept of value refers to why something is of interest to someone. From a business marketing perspective, key account customer value is *the tangible and intangible benefits that large customers expect from a supplier's selling center, relative to available alternatives, to fulfill a set of needs and for which hypothetical prices exist.* This definition contains three critical dimensions.

First, key account customer value is both tangible and intangible. By tangible benefits, we mean economic value, such as the technological

solution a product provides. Intangible benefits refer instead to the psychological benefits a customer gains from the supplier's offering. Large customers often contract with suppliers not only for the technical aspects of their solutions but also to address the buying center members' psychological and political concerns.

Second, this definition acknowledges the extent to which the selling center can meet large customers' expectations and satisfy their needs, relative to available alternatives. Customers contract with a selling center, rather than only the KAM, so the contribution of every stakeholder that the supplier organization leverages critically affects the value proposition. Moreover, when appraising a supplier's solution, customers do so from a relative perspective, not an absolute one. Suppliers invariably navigate a competitive landscape, in which competitors are calling on their key customers with comparable value propositions. Therefore, large customers balance their expectations against several options—the very reason that key account sales often involve requests for proposals.

Third, this definition states that some hypothetical price exists for the value proposition at stake. It is hypothetical, because there is no objectively right or wrong price. KAMs rarely sell their solutions at the very first price they quote in their proposals. Instead, they go through a long negotiation process with buyers to accommodate their budgets, value their offering, and eventually negotiate a final price. Consequently, key account customer value largely depends on the KAM's ability to sell its value at the right price and level of margin to enable the selling center to serve the key account properly.

Expectations and Attributes of Key Account Customer Value

From a general standpoint, large customers value supplier's offerings according to their match with specific expectations. With their large buying scale, they often expect the selling center to help them reduce their costs of buying and demand, using:

- A KAM as the controlling point of contact
- Dedicated and coordinated resources from the selling center
- Negotiated prices across the supplier's product portfolio

Customer procurement agents also attend closely to three types of criteria when assessing suppliers' key account offerings,[32] as detailed here:

1. Core transactional measures
   a. Product/service performance
   b. Reliability/quality conformance
   c. Price
2. Service measures
   a. Service recovery quality
   b. Responsiveness
   c. Flexibility
3. Process measures
   a. Integration
   b. Coordination
   c. Innovation

Core transactional measures are tangible dimensions of key account customer value. Buyers have specific requirements that they need to meet, for the sake of their own production for their customers, and they rely heavily on those specifications. *Service measures* generally are post-transaction attributes, that is, operations that the supplier needs to perform, above and beyond the delivery of its solution, especially if things go wrong. Although some aspects of the service measures can be assessed tangibly (e.g., timeliness of the supplier's reaction to a failure), most such criteria are less tangible. Because they represent the supplier's ability to support the customer though, they are critical to relationship quality. Finally, *process measures* refer to the extent to which a supplier wishes to streamline its processes with those of its customers. Technology sharing and integration, ease of communication, and willingness to innovate for the customer are key aspects of this dimension.

Leveraging and adapting Richards and Jones's integrative model of key account performance,[33] mentioned in Chapter 1, we add to this list and acknowledge another important measure that large customers use to appraise suppliers:

- Buyer–seller fit
  - Sharing values
  - Strategic fit

- Operational fit
- Personal fit

Buyer–seller fit depends on process measures from an operational standpoint, though the idea of finding such a fit goes beyond the immediate process at stake. By fit, we mean the extent to which the two organizations complement each other by allying their business activities. Collaboration between selling centers and buying centers implies an alliance between two organizations that prefer to work together. Therefore, alliance success requires a willingness to partner, because of the values they share. Such values can refer to business ethics, organizational governance, or citizenship behavior. When organizations share values with regard to honesty, integrity, transparency, commitment to quality, respect for the law, respect for others, respect for the environment, and giving back to the community, their employees are better able to understand one another and work together. In an alliance-type relationship, each organization extends its frontiers to embrace its partners; it can be enhanced further by strategic, operational, and personal fit. Recall that strategic fit refers to the extent to which both organizations pursue similar strategies, such as innovating in similar areas or growing market shares in the same competitive landscape. Whereas operational fit involves the extent to which the key account perceives that the supplier's capabilities are aligned with its expectations, such that the value likely will be delivered as promised. Personal fit is the extent to which buying center and selling center members get along well, because their organizations share values and regard their collaboration as productive at an interpersonal level.

Buying and selling centers should consist of members who want to help one another, beyond just the economic reason for doing so. Multiple suppliers likely offer similar solutions, and multiple customers have the same needs. Thus buyer–seller fit implies the extent to which customers feel comfortable working and spending time with a specific supplier. At the end of the day, suppliers and customers choose whom they want to work with based on a simple principle:

People buy from those they know, like, and trust!

It is the KAM's responsibility to ensure that the selling center possesses and leverages all these measures. Price represents only one aspect of the customer's assessment of suppliers. As our definition of key account customer value highlights, prices are hypothetical, so their range varies widely, depending on the KAM's ability to present all aspects of the value proposition and execute the KAMP process properly, from a tactical standpoint.

Siemens, who received the 2014 Strategic Account Management Association (SAMA) Excellence Award for Efficiently Segmented and Integrated Account Coverage, pays particular attention to strategically and tactically leverage the fit with their large clients. They developed an Executive Relations Program where members of the top management team are responsible for specific clients and market development objectives. This way they take advantage of complete, company-wide account penetration and coverage that contributes a great deal to the strong relationship, fit, and value delivery between Siemens and its key customers.

Diagnosing Key Accounts for Value Delivery

Leveraging and delivering value to large customers is an ongoing process. The thoroughness of the diagnosis of the key account and a tactical execution of the KAMP process can help KAMs monitor what is going on within the buying center, as well as what needs to be done to appeal to the buying center members, better than competitors can.

A diagnosis is *a careful examination of the subject matter to prevent potential issues and address current ones*. Implicit to a diagnosis process is the existence of symptoms to identify and treat. Because complex sales entail uncertainty and unpredictability, key account diagnoses should seek to identify symptoms that may jeopardize buyer–seller relationships.

Throughout the KAMP execution and to deliver value to buying centers' key stakeholders, KAMs should pursue two specific endeavors or objectives:

1. Diagnose the situational state of the buying center
2. Move the buying center into a relational state

Diagnosing the Situational State of the Buying Center

Beyond the structural state of the buying center that defines each member's role, we note that the situational state can pertain to the current atmosphere and state of affairs among them. Several elements define this situational state, such as the customer's economic and financial situation, psychological and political tensions among buying center members, or even how competitors interact with buying center members. A KAM who understands the situational state of the buying center can behave properly when dealing with members. Specifically, the KAM should:

- Identify power zones
- Identify threat zones
- Identify receptiveness zones

Power zones encompass people, units, departments, or divisions that enjoy specific authority to advance or slow down the sales project. Several members of the buying center have such authority, explicitly or implicitly. It is obvious for buyers and deciders, but users, advisors, and facilitators also might enjoy such power and influence over the ultimate determination of solution specifications or choices.

Threat zones refer to the people, units, departments, or divisions that raise obstacles or manifest expectations that are difficult to meet. Threat zones exist because buying center members have different agendas and objectives to achieve, other than helping the KAM complete the current sales project. In addition, they might emerge due to competition, in that buying center members might objectively like competitive alternatives better or sense inefficiencies in the KAM's value proposition they are unwilling to accept. Threats also arise because *opponent influencers* exist within the buying center. An opponent influencer is an anti-sponsor acting against the KAM's sales project. The opponent influencer may be a competitor's advocate who support the latter's solution, e.g. a competitor's coach or facilitator, or buying center's members who do not benefit from, or feel threatened by, the KAM's solution. Depending on the opponent influencer's power, he or she can sabotage the sales project, thus requesting the KAM's attention. Opponent influencers' strategies can be uncovered and neutralized if KAMs have good relationships with buying center's key stakeholders who can lobby for their solution.

Finally, *receptiveness zones* encompass people, units, departments, or divisions that are positively inclined toward the KAM's offering and willing to accept the changes it will entail. Therefore, they are also willing to spend time with the KAM, listening carefully to his or her arguments during the process.

The situational state of the buying center depends on these three zones. Tensions and conflicts might exist among people in threat zones and those in receptiveness zones. People in power zones also might disagree among themselves or with people from the threat or receptiveness zones. Such situations do not help the KAM advance his or her sales project as planned. Thus, the KAM needs to move the buying center from its situational state to a relational state.

Moving the Buying Center to a Relational State

Moving the buying center to a relational state means for the KAM to establish a firm ground and enable the sales project to advance smoothly toward the ultimate objective. To build such a relational state with the buying center, the KAMs must:

- Identify the buying center members' expectations and needs
- Analyze the tangible and intangible benefits to provide
- Perform a competitive risk analysis for each benefit and buying center member

To achieve these outcomes, we return to our explication of the buying center members' roles and describe how KAMs can investigate each of their expectations.

Because *gatekeepers* are responsible for preventing access to another person in the buying center, their expectations involve receiving interesting information; otherwise, they will protect other members of the buying center from irrelevant phone calls or visits. They only permit vendors with potentially relevant information. Despite this influence, gatekeepers rarely affect actual purchasing decisions. However, some gatekeepers might claim more authority than they have. There are several types of gatekeepers. Receptionists and assistants are common ones, but gatekeepers

may also be procurement (who approves vendor lists), legal, or even current relationships. Deciders and buyers have formal gatekeepers, but other buying center members, such as facilitators, users, or advisors, also could have assistants who filter their calls. Therefore, the KAM needs to regard gatekeepers as potential allies, not enemies. For large accounts, showing respect to a gatekeeper by offering some information that he or she can pass on to the relevant authority helps them achieve their mission. Then KAMs can rely on gatekeepers to learn more about how to approach the person with authority. KAMs should also work and network closely with gatekeepers to learn more about the customer organization, what buying center's members' expectations or concerns are, etc. In fact, gatekeepers are also gate openers. To this end, key questions to ask gatekeepers include:

- How does the person with authority prefer to receive information from suppliers?
- What is the proper course of action to speak with him or her?
- Who are the persons the gatekeeper would recommend to talk to?
- How might gatekeepers help ensure their recommendations are carefully followed?

Complying with the gatekeeper's recommendations and following up shows respect, professionalism, and an effort to do things right. Gatekeepers can be important obstacles to accessing cold accounts with no existing relationship established yet. If the KAM already knows the customer organization, he or she should be known already to not just the gatekeepers but also the authority.

Buyers are responsible for understanding and anticipating internal customers' needs, then identifying, negotiating, and selecting the right suppliers with the least risk. Buyers' expectations thus are strategic and operational. Their strategic expectations reflect their organization's business activities and growth. Buyers buy to enable their organization to produce and create value for its customers. Their role enables the building and maintenance of the value chain and the supply chain for their organization. They also need to understand where their organization is going, in terms of strategy, products, and markets to address. Buyers' operational expectations then refer to supplier selection and negotiations, finding the

right price, ensuring that products meet specifications, on-time delivery, and meeting internal customers' needs. Thus buyers must also assess the risks of working with potential suppliers, including corporate risks (e.g., supplier's deteriorating reputation), economic risks (e.g., a supplier's financial or managerial issues that affect firm sustainability), product risks (e.g., poor product quality, lack of innovation, deteriorating know-how or capabilities), and peripheral risks (e.g., suppliers' exposure in its own value chain or its own suppliers). Because of these expectations, buyers demand accurate information about potential suppliers, so that they do not jeopardize the business reputation, activities, or product quality of their own organization. When dealing with large suppliers, buyers also seek to rationalize and standardize their supply whenever possible, in terms of both product volume and references. To address buyers' expectations and needs, KAMs need to:

- Understand and assess all perceived risks, especially product-related ones
- Reduce or eliminate all perceived risks, especially product-related ones

Understanding, reducing, and eliminating perceived risks first require recognizing what a risk is. A risk is the *probability of negative consequences*. Therefore, the KAM needs to address both probability perceptions and negative consequence perceptions. To lower probability perceptions, KAMs might demonstrate that the supplier has worked successfully on similar projects with other customers, or use them as references. Customers see risks decreasing when other customers facing similar issues have already selected the proposed solution. Moreover, when other customers will speak directly in favor of the supplier, the KAM has a great method to handle and reduce the perceived likelihood of potential risks. To address the negative consequence dimension, the KAM likely needs to leverage the capabilities of the selling center to demonstrate how it has handled problems with other customers. Involving executives at the highest possible level, such as key account sponsors and key account executives, also can show the selling center's commitment to the sales project, thus reassuring the customer. In these referral cases, other customers and members

of the selling center operate as influencers. Another option is to invoke the buying center facilitator to address perceived risks. The facilitator should enjoy a positive reputation, as well as the attention of buyers, users, or deciders, so leveraging his or her credibility can reduce perceived risk levels.

Users employ or supervise the usage of the purchased products and services, so they can gain immediate benefits from contracting with the KAM. Their expectations involving having their problems understood, foreseen, and addressed, so they can do their jobs better. To this end, the KAM needs to:

- Identify and assess users' problems
- Transform them into explicit needs that the customer is willing to fulfill

A problem is *an unwelcome, unsolved matter that creates confusion.* Problems depend on the involved people and require reasoning processes to solve. The difficulty of a problem thus depends on the individual's ability to solve it. Some problems may be too minor to be harmful; others are too complex to be solved easily. The role of the KAM is to identify which problems create deficiencies in customers' business activities, for which they seek a solution. It is critical for the KAM to gauge customers' eagerness to solve the problems they face, which requires looking for compelling reasons that urge the customer to solve the focal problem, rather than other problems. If no clear, compelling reasons are available, the customer might sense no urgency to solve the problem, which wastes both the KAM's time and the selling center's resources.

A need is a *state of tension that comes from internal or external stimuli*. Internal stimuli reflect the demands of the individual or firm; external stimuli stem from the environment. For example, customers have routine needs, such as regular purchases of raw materials to enable their plants to function, which are internally stimulated, in that the regular, well-identified delivery is required to allow the firm to operate. An external stimuli instead might be one identified and developed by the KAM, such as the potential cost savings associated with a new photocopier. This need comes from the customer's environment, manifested by the KAM's ability to identify the tension associated with wasting money on copies. We also differentiate between *implied needs* and *explicit needs*. The former are

potential states of tension that the customer currently does not recognize. For example, a customer might mention dissatisfaction with administrative expenses, implying that copiers are not cost effective, without specifically knowing whether that is the case. Explicit needs are specific and precise statements by the customer: "I need new, more efficient copiers" expresses a clear state of tension.

The differences between a problem and a need are threefold. First, problems create not necessarily tension but confusion, because of the difficulty of addressing the subject matter. Second, needs are rooted into problems, but not all problems lead to explicit needs, because they might lack a compelling reason that demands quick attention. Third, problems do not create expectations, but needs do, through the state of tension they produce that must be eliminated. Only when they are aware of their explicit needs are users prepared to appraise the potential benefits of fulfilling them. To this end, a critical responsibility of the KAM is to foresee potential problems that might generate compelling needs (i.e., states of tension) that the customer will be willing to address with the supplier's suggested solution. To put this point another way:

No Problem, No Need, No Sales!

As mentioned in the previous section, KAMs need to initiate engaging conversations with buying centers' members to identify customers' problems, make them become needs for which customers would like to reduce the resulted state of tension. This investigation is a critical aspect of KAMs' ability to create and manage KAMP's pull leads opportunities and satisfy buying center's members' search for value.

KAMs are likely to initiate interesting conversations with customers if they perfectly understand their client's industry and business. We again stress the importance to carefully address the *KAMP as a Strategic Reflection* section's questions detailed above on the (i) customer environment, (ii) the customer business (market and competitive pressures), and (iii) the customer account (supplier's absolute and relative position). Moreover, KAMs' competitive intelligence activities to uncover what is going on in the market, and what competitors' actions or projects are, remain critical to their business acumen. The reader may refer to one of the authors' book on this topic for further information and guidance.[34]

Knowledge about the industry, the market, the customer, and the competition inform to a great deal KAMs' ability to create pertinent dialogue with large customers. Not only this shows the level of interest KAMs have for their clients, but it also helps recommend relevant value propositions. KAMs also learn a lot about their customers by simply yet generously listening to them. In fact, when planning an account visit, a KAM should always have 2 or 3 carefully prepared and pertinent questions related to what he or she wants to learn about the account. Pertinent questions not only engage quite informative conversations, they also help the KAM do deep dive into customers' conclusive problems and needs.

Ideally pertinent questions relate to a potential inefficiency the KAM has noticed based on the research conducted on the customer environment, business, or account. An inefficiency is a lack of ability to perform a task or to produce something without wasting important resources (e.g., money, labor, materials, time, energy). The main assumption here is to consider that such inquiry is truly about the customer, not the KAM or the supplier. That is to say, salespeople are often tempted to direct customer conversations toward products or solutions they want to sell. This strategy might not be the best one for key accounts where important cross selling or up-selling opportunities usually exist. In fact, KAMs always need to go where customers' concerns and expectations are first. This approach leads to the most compelling value for customers.

For example, the authors provide consulting services and executive training to a *Fortune* 100 company that sells products and services to the health care industry, an industry undergoing profound changes, such as (a) a significant consolidation in the providers of health care, creating larger and larger health care systems, (b) an increasing focus on supply chain management and centralization of purchasing, (c) The Affordable Care Act and other regulatory changes which impact (usually reduce) the timing and amount of the revenue for health care services. This company's health care sales force was product based. Salespeople with specific product expertise and portfolio called on those hospital departments that used their products. For example, salespeople that sold surgical drapes sold to the surgery departments while salespeople that sold dressings and bandages sold to the nursing departments. This sales force organization was not compatible with the industry trends identified above. In fact, it

is clear from our discussion in Chapter 1 that the trends pointed toward a key account focus. For some time the senior executives in the health care division understood these trends, but did not change the structure of the sales force. They recognized the problem but were unsure what to do about it—confusion. Two things happened to force a change—one internal and one external. Internally, the company's board and chief executives implemented a strategy that required an increase in customer retention and profitability from each division's largest customers, including the health care division. Externally, they were losing some large sales at their largest customers. At this point, we—as our customer's key account selling center—got involved. After deep conversations into our customer's problems, we helped see the connection between these two needs and the solution—a key account organization that we helped design and train. They needed to retain and grow their largest accounts to successfully execute the new corporate strategy and to win the large supply chain driven deals. In 2014, with our help, the company implemented a key account organization that was responsible for exactly these two objectives with their key accounts.

Influencers influence or support the buying process and final decision through their specific position, authority, or information. At some point, they might be *advisors*, representing credible and reliable sources of knowledge, or *facilitators* who are willing to sponsor the supplier by lobbying for the sales project. For this analysis, we note that influencers behave as promoters and use this generic term. Promoters have two types of expectations: personal and supplier related. The personal expectations usually involve augmenting their credibility, reliability, and equity in the buying organization, especially if they are advisors. The supplier-related expectations instead pertain to stronger relationships with the KAM or demonstrating their power and authority within the buying organization, especially if they are facilitators. The KAM needs to identify which type of expectations to address; depending on their objectives and status, promoters may behave as (a) information providers, (b) a good buddy, (c) or an inner salesperson.

An information provider is a great source of information for the buying center or the KAM. However, the influence usually stops there; these promoters are not willing or able to influence the decision-making

process further. Such influencers likely include those who met the suppliers at trade shows or referral customers that have dealt with the supplier before. Although they reduce perceptions of risk, they do not truly drive the sales project internally. A good buddy is always ready to help the KAM, even if the influence within the buying center is limited. He or she might know the KAM or like a particular solution. It is important for the KAM to avoid confusing a good buddy with a real facilitator. Finally, the inner salesperson has a vested interest in advancing the sales project and offers a strong connection to the buyer, users, or deciders, such that he or she can truly help the KAM understand the needs at stake, foresee obstacles, and overcome them. Behaving as a facilitator, the inner salesperson is a key asset for the KAM, who must be taken care of to monitor whether this facilitator is really moving the process along, according to specific milestones (e.g., releasing information that the request for proposal contains, setting up meetings with buyers and deciders, improving people's perceptions). To identify the different key promoters and work efficiently with them, KAMs need to:

- Identify the type of promoters with whom they are dealing: information providers, good buddies, or inner salespersons
- Help them provide help, by asking for advice and following their recommendations

Working with promoters, especially facilitators, is a key success factor for complex sales. They can reduce the uncertainty and unpredictability of the sales project, help the KAM understand what is going politically within the buying center, provide relevant information to buyers and deciders, and ensure the effective use of selling center resources and energy.

Finally, *deciders* have the specific responsibility to make the final choice among the suppliers; they also have the discretionary power to give the green light to a project. Deciders may be an individual or a committee. Their expectations include understanding the impact of the purchase on their organization and receiving some return on the financial investment. Deciders might be convinced directly by the KAM or indirectly through the buyer, users, advisors, or facilitators. In addition, deciders pay attention to not just the tangible and economic aspects of the value

proposition but also the intangible, psychological, and political features. Beyond the return on investment, they are interested in overall organization effectiveness, so even the best value proposition might not succeed, if it appears likely to interfere with internal political equilibrium among the organization's managers. To influence deciders, KAMs therefore should:

- Understand the tangible and intangible gains they seek
- Use the facilitator to build and advance their case
- Use the selling center to build and advance their case

We recommend using the following assessment tools to diagnose buying center members' situational and relational states so the KAM can determine (1) their preoccupations (tangible and intangible benefits), (2) the consequences of such preoccupations (tangible and intangible benefits), in order to (3) take actions and meet their expectations (current and possible benefits). Assessing and reevaluating buying center members' states on a regular basis (e.g., every 6 months) is critical to understand how the relationships evolve and what KAMs should accomplish from a SCAP and KAMP perspective to manage the selling and the buying center (see Figures 2.3, 2.4, 2.5, 2.6).

BUYERS	PREOCCUPATIONS		CONSEQUENCES		EXPECTATIONS	
Benefits	*Tangible*	*Intangible*	*Tangible*	*Intangible*	*Current*	*Possible*
ASSESSMENT						
ACTIONS						

Figure 2.3 Buying Center Analysis—Buyers

USERS	PREOCCUPATIONS		CONSEQUENCES		EXPECTATIONS	
Benefits	*Tangible*	*Intangible*	*Tangible*	*Intangible*	*Current*	*Possible*
ASSESSMENT						
ACTIONS						

Figure 2.4 Buying Center Analysis—Users

DECIDERS	PREOCCUPATIONS		CONSEQUENCES		EXPECTATIONS	
Benefits	*Tangible*	*Intangible*	*Tangible*	*Intangible*	*Current*	*Possible*
ASSESSMENT						
ACTIONS						

Figure 2.5 Buying Center Analysis—Deciders

PROMOTERS (influences, advisors, facilitators)	PREOCCUPATIONS		CONSEQUENCES		EXPECTATIONS	
Benefits	*Tangible*	*Intangible*	*Tangible*	*Intangible*	*Current*	*Possible*
ASSESSMENT						
ACTIONS						

Figure 2.6 Buying Center Analysis—Promoters

Building the Buyer-Seller Diamond Connections and Account Planning

As described above, the stronger the relational state, the better the KAM position within an account. This position should be also strengthened further as the KAM builds *buyer-seller diamond connections*. The buyer-seller diamond connections can be regarded as an inverted pyramid which represents the legacy a KAM carries within an account. Buyer-seller diamond connections comprise 3 layers, i.e., transactional connections, consultative connections, transformative connections, and 2 facets, i.e., the relationship facet and the economic facet (see Figure 2.7).

Transactional connections represent the first and narrower layer. Transactional connections mean the buyer and seller operate primarily on a transactional basis. From a relationship standpoint, the KAM mainly interacts with buyers (i.e., procurement) or users, and does not enjoy strong relationships with other buying center's key stakeholders such as facilitators, advisors, or deciders. From an economic standpoint, the supplier would belong to the tier-3 vendors list and does not supply large

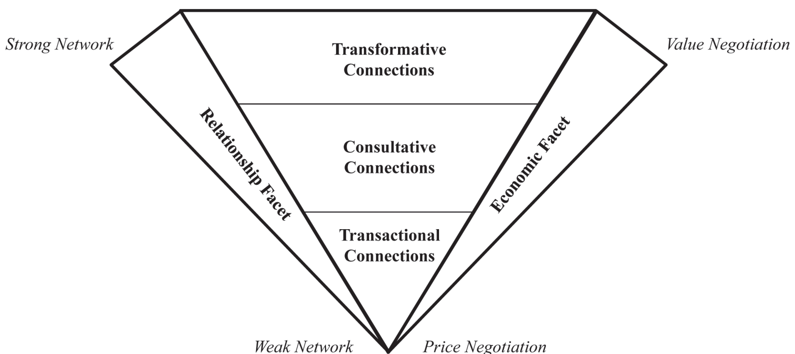


Figure 2.7 The Buyer-Seller Diamond Connections

volumes or value of products or services. Such customer made it to the key account program usually because of unrealized potential value (UPV) and potentially meaningful open spaces as described in Chapter 1. At this layer, KAMs may be able to up-sell the customer on specific product categories. However, they usually remain into a push leads approach of the KAMP opportunities management dimension. Moreover, price negotiations remain the rule from the customer perspective who does not see all the value the supplier possesses. Consequently, it is important for the KAM to escape from this layer by reaching the next level of connections.

Consultative connections refer to buyer-seller interactions that rely on good relationships and good understanding of both parties' benefits to interact with one another. From a relationship standpoint, the KAM has a good quality network with buying center's critical members such as influencers or facilitators beyond users and buyers. From an economic perspective, the supplier would belong to the tier-2 vendors list with the result that KAMs should more easily up-sell and cross sell the customer on a larger scope of products or services. They are regularly consulted by the customer who seeks their bids on request for proposals or advice on specific expectations and concerns. Hence, they enjoy both push and pull leads in regard to the KAMP opportunities management dimension. However, the presence of competitors enjoying stronger and higher level of relationships within the account still implies challenging price negotiations despite the value the KAM may provide.

Transformative connections refer to buyer-seller interactions relying on strong, trustworthy, and embedded business relationships. From a relationship standpoint, the KAM enjoys a strong network with all buying center's member's critical stakeholders from gatekeepers, to buyers, users, influencers, advisors, facilitators, and deciders. In such a situation, the KAM or other supplier's employees might have open access to the customer site or even work there on joint projects. From an economic perspective, the supplier pertains to the tier-1 vendors list and clearly always belongs to the customer consideration set in regard to the products and services the KAM represents. The conversations with the customer are usually deep, thus strategic and forward looking. The buyer's and seller's business complement one another and their vested interest is the birthplace for common growth. Pull leads opportunities and value (versus

price) negotiation is the rule. The supplier and KAM also take advantage of a strong competitive position within the account.

When KAMs hold transactional or consultative connections, account planning can be viewed as an interesting tool to strategize and elevate the interactions with large customers. Account planning thus represents a methodology that helps strengthen customer relationships. An account plan usually possesses several cells the KAM needs to fill out to plan his or her meetings. Among the most important categories of an account plan, are (i) the account background information (i.e., buying center's members names and roles, current strengths, weaknesses, threats, and opportunities), (ii) the meeting objectives (i.e., meeting goals) and agenda (i.e., 2–3 deep dive questions and new things to learn), (iii) the foreseen initiatives and potential solutions to validate, and (iv) the next steps with appropriate SCAP's and buying center's stakeholders.

As professional interlocutors of key customers, KAMs should always ensure they grow their understanding of their accounts and find directions to strengthen their connections further. To this end, moving the buying center from a situational state to a relational one is a central mission for the KAM, closely associated with the effort to coach the buying center members by leveraging CRM technologies. Chapter 3 describes ways to use CRM systems in this regard; Chapter 4 addresses the coaching mission of the KAM.

Chapter 2: Summary and Key Points

1. A buying center is a network of stakeholders connected to an organization that might have a say in the course of the organizational buying process and decision.
2. Buying centers comprise seven types of members: gatekeepers, buyers, users, influencers, advisors, facilitators, and deciders. Their roles and expected benefits must be clearly identified and understood.
3. An organizational buying process, decision, and complex sales can be managed effectively with the Key Account Management Process (KAMP).
4. At the KAMP strategic account level, the KAM should question the (a) customer environment; (b) customer business, including the

market and competitive pressures; and (c) customer account, including the absolute and relative position of the supplier within the account.

5. At the KAMP tactical execution level, the KAM should manage five interrelated, complementary dimensions: project management, expectations management, concerns management, opportunities management, and choices management.
6. The KAM should pay particular attention to the expectations management dimension, which encompasses solution-based and relational-based expectations; the concerns management dimension, including an alarm system that can signal a lack of receptivity or high anxiety levels among the buying center's key stakeholders; and the opportunities management dimension, to qualify leads and customers' potential needs according to the four CABS checkpoints: Compelling reason, Authority leverage, Budget availability, and Supporting allies.
7. Key account customer value can be defined as the tangible and intangible benefits large customers expect from a supplier's selling center with regard to available alternatives and to fulfill a set of needs, for which hypothetical prices exist.
8. Large customers attend to four main value criteria when assessing suppliers' key account offerings: core transactional measures, service measures, process measures, and buyer–seller fit measures.
9. To deliver value to buying centers' key stakeholders throughout the KAMP execution, KAMs should pursue two objectives: (i) diagnose the situational state of the buying center and (ii) move the buying center to a relational state. KAMs should also build and grow the buyer-seller diamond connections on 3 layers: (i) transactional connections, (ii) consultative connections, (iii) transformative connections, and 2 facets: (i) the relationship facet, and (ii) the economic facet.
10. To manage the buying center's situational state, a KAM must (a) identify power zones, (b) identify threat zones, and (c) identify receptiveness zones. To build a relational state within the buying center, the KAM must (a) identify all buying center members' expectations and needs, (b) analyze the tangible and intangible benefits to provide, and (c) perform a competitive risk analysis for each benefit and buying center member.

CHAPTER 3

Leveraging Collaborative CRM and Technology

Talent wins games, but teamwork and intelligence wins championships.
—Michael Jordan

Key account success isn't about winning a game; it's about using teamwork and intelligence to win over the long haul. And, it is about using technology. Working as an effective key account team today requires information technology——lots of it. How can a team—in this case the key account selling center—operate as a team without leveraging all forms of technology, especially that dreaded application—customer relationship management (CRM)? In this chapter, we will discuss why leveraging CRM may seem complex, yet unavoidable. Then we will make a persuasive case for the value of collaboration for key account teams, and for the key account. Once it is clear why collaboration and the use of technology is important for both the supplier and customer, we will discuss ways to successfully adopt and use it.

The Value of Collaboration and Information in Key Account Management

Using Technology to Make Teams Succeed

As we always do in our Program for Excellence in Selling Key Account class at the Bauer College of Business of the University of Houston, we assigned responsibility for a business unit of one or our key accounts to a young student sales representative. We asked him to make contact with the business unit leader and introduce himself. Because of his responsibilities, this executive was known for being difficult to contact and build

rapport with. A few days later we asked the student sales representative if he had been successful. He reported that he had a great early morning conversation with the executive that helped him gain a good understanding of the business challenges facing this leader. We asked him how he had managed to be so successful. He said *Salesforce CRM!*

Using information in our Salesforce.com CRM system he learned that the best time to reach the executive was 7:00 a.m. So, he called at 7:00 a.m. He also discovered that the executive had previously been the China Country Manager. Our student sales representative has a degree in Chinese Studies so the first 15 minutes of the conversation was about their mutual interest. And, he was able to have a substantive conversation about the manager's challenges because there was information in the system about the key account's current initiatives and this business unit's most pressing issues. (see Figure 3.1).

As recommended in Chapter 2, the conversation moved this buying center *decider* from a *situational state* toward a *relational state*. Other members of the key account team, not our resourceful student sales representative, previously entered all of this information into the CRM system. Not only is this an impressive start for this key account representative's relationship with his business unit, but the alternative—an attempt at a first meeting without this information—would have meant the opposite, an inept attempt at meeting and establishing a value-based relationship with this challenging customer.

Task Information

Assigned To	User / Charles McMartin	Status	Completed
Type	Phone Call	Name	Contact / Mark Thomas
Subject	Follow-up Call	Related To	Opportunity
Due Date	9/2/2014 [4/27/2015]		
Phone		Priority	Normal
PES	KA		

Description Information

Comments

Spoke with Mark from 6:55-7:23. Started the conversation asking about his time as GM of CI in China, as I am a Chinese Studies major.

Then we moved on to talking about relocation and it's importance to CI. He mentioned that relocation could be make or break it for the partnership. While on the topic of partnership he mentioned that it was renewal time and that the sales call needs to be scheduled ASAP. Next we talked about the presentation that will be on the 24th. He wants it from 4:00-5:30pm for around 20 people, specifically the past interns and people that will be graduating in either December or May.

Lastly we talked about contacts at CI:
Clay M. is the DM that Mark reports to.
Jason J. is the person that Clay reports to.
Suresh S., and 04 Alumni, is the DM for the west coast.

Figure 3.1 Meeting Summary

It is no surprise that the student sales representative diligently entered this information into the CRM system. He had just experienced the value of shared information in key account management. Enhancing customer satisfaction and the customer experience is a key goal of many company's CRM strategy. In a recent Bluewolf–MIT study, 37 percent of respondents confirmed that Salesforce.com improved the customer experience.[34]

In a large global industrial services firm with which we have worked on a CRM consulting project and assessment, we found all the pertinent characteristics of a key account program: It functions in an oligopolistic industry whose largest customers and suppliers represent disproportionate shares of its markets, and fierce competition among the four largest suppliers targets every key account sales opportunity. Three years after it deployed a new CRM system, this supplier's assessment indicated that the use of CRM had contributed an additional $616 million in revenue during the previous 3 years. Using the CRM system, its key account teams identified 60 competitive bids that they won, each worth more than $1 million, because the team had access to accurate information that enabled better collaboration. As one Key Account Vice President justifiably bragged, "*We won this $128 million opportunity because everyone on our global team knew more about the problem and the solution than our competition—more even than the customer*." Such technology-enabled collaboration, information gathering, and teamwork led to dozens of successful sales by this firm. It also represents a sustainable competitive advantage that would be hard for competitors to replicate. The competitive advantage grows even stronger when the collaboration includes not just members of the selling center but the buying center as well.

Clearly, there is value—increased sales and customer satisfaction—when CRM systems are successful. Our young student sales representative and this global industrial services firm are great examples of what CRM systems can do.

But, even today, most CRM projects are not successful. "In 2012 fewer than 20% of CRM projects were enterprise-wide, transformational or cross-departmental efforts involving the deployment of a broad variety of functionality."[35] Many readers are thinking the same thing: CRM has great promise, but it never delivers on that promise. Why is it so difficult?

Our own research and consulting projects, consistent with over 20 years of prior academic publications, identifies six antecedents of CRM adoption that are the root causes for inadequate return on investment and the frustratingly low adoption rates associated with CRM. These six issues must be addressed to achieve the value for the supplier and the key account that is the promise of collaborative technology and CRM:

1. *Ease of use:* The degree to which a person believes that using a particular CRM system will be free of effort. Ease of use was often the biggest single contributor to poor adoption rates, especially when early CRM technologies were cumbersome, complicated, and not intuitive. Today, however, with cloud-based CRM systems, ease of use is far greater, and it is a weaker reason for poor adoption.
2. *Perceived usefulness:* The degree to which a person believes that using a particular CRM system will enhance his or her job performance. With regard to this antecedent, members of a key account selling center are often the exceptions, in that they recognize the usefulness quite readily. In contrast, most salespeople do not believe CRM systems help them do their jobs better. Instead, they skeptically believe only management benefits from their use of the system.
3. *System truthfulness:* The degree to which a person believes he or she can trust the veracity of the information entered and used in a particular CRM system. In many organizations, this factor emerges as the single greatest contributor to poor adoption. It is also much more prevalent for CRM systems than other systems. Payment systems, production systems, and inventory systems can approach 100 percent accuracy. We know of CRM systems in which more than 80 percent of the contact information was incorrect or outdated. People simply will not use applications if the information they contain is not accurate.
4. *Peer usage:* The degree to which colleagues in the organization employ and use a particular CRM system. The impact of this factor varies greatly from one company to another, or even from one business unit to another. For obvious reasons, when people are geographically dispersed, it is less of a problem, but in close proximity, it becomes a bigger issue.

5. *Management commitment:* The degree to which management supports and shows interest in the usage of a particular CRM system. For this point, the issue is usually not executive sponsorship; executives who have invested millions in a CRM system make everyone aware of how important it is to use it. Instead, the issue is executive *usage*. Many executives continue to rely on the alternative systems they had in place before the CRM deployment to monitor and manage their organization, which sends a twice-deadly message: "I'm not watching, so you don't have to use CRM" and "Use this old system (e.g., Excel) instead, just like I am."
6. *System uniqueness:* The degree to which a person believes the CRM system is unique and has no alternative for properly managing customer relationships and sales activities. Just like executives, salespeople might prefer to keep using alternative systems with which they are familiar, giving them little reason to adopt. If they do adopt, they likely exhibit routinization, not infusion. Although keeping some systems (e.g., payroll, human resources) is unavoidable, redundant systems must be retired—though we acknowledge that it is easier said than done. People who have a favorite system find any reason to keep using it, even when the CRM system designed to replace it could offer greater benefits.

For those who have previous experience with less than successful CRM projects, you may recognize one or more causes of the project's frustration in these six requirements for success. The strategic use and deployment of CRM, as described on pages below will avoid these six issues, a prerequisite to using technology to help teams succeed.

To frame this discussion we must understand what we expect to achieve, what is success. First, we expect the team to do better than if the individuals were not part of a team. Second, we want the team to perform better because they are using technology than they would if they were not using technology. This leverage comes with what we call the CRM CAR triangle, that is, CRM for key account (see Figure 3.2):

- Collaboration
- Accessibility
- Readiness

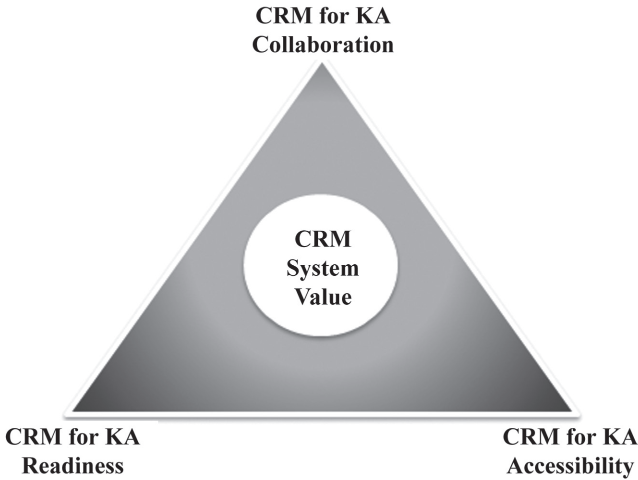


Figure 3.2 CRM CAR Value for Key Accounts

Indeed, the technology that provides most of the leverage is CRM, because CRM is what facilitates collaboration, accessibility, and readiness for any key account management program.

Collaboration, Accessibility, Readiness, and CRM

Collaboration happens *when two or more people agree to work together through idea sharing and exchange processes to accomplish a specific objective.* In our case, we know the common objective. First, that the key account agrees that the supplier's organization, products, and services are an integral part of the key account's business. As a result of that relationship the supplier retains a higher percentage of the account's business than the average customer and grows the account more than the average customer.

What is the difference between collaboration and teamwork? Collaboration implies two dimensions that are inherent in collaboration but not necessarily in teamwork. First, collaboration occurs across interfaces such as teams, departments, locations, and businesses, while teamwork is more cohesive, within a team. Second, collaboration may happen even if people do not share the same interest as they would in a team. In key account programs, collaboration means creating, and making relevant information and knowledge available for the customer relationship or sales project at stake. Today, collaboration is clearly facilitated through the impact

of technology, including CRM. Interestingly, the CRM project's critical factors of adoption and success such as peer usage and management commitment are the roots of CRM for key account collaboration.

Accessibility refers to *the degree to which an object, a product, a service, a solution, an entity, or an environment is available to as many people as possible*. Accessibility happens through direct access (e.g., making an effort to access to) or through open availability (e.g., making something easily accessible). The very purpose of a CRM system is to make customer data, information, and knowledge accessible to authorized individuals wherever they are inside or outside the organization. That being said, such information should be organized properly to reveal its meaning to the recipient. Integrating customer data from a sales (e.g., units sold), marketing (e.g., recency, frequency, monetary value of purchases), finance (e.g., customer profitability), after sales (e.g., complains and service recovery solutions), accounting (e.g., granted credit terms and days sales outstanding), or even an organizational (e.g., individual contacts and interactions) perspective is a complex technological problem. It means integrating multiple information sources and systems and make them communicate with one another. Yet such customer 360° view and the related analyses is the birthplace of CRM relational and analytical systems. To efficiently manage SCAP and KAMP, KAMs need to access a tremendous amount of customer data, information, and knowledge. Because such information can be updated and leveraged at any moment for sales opportunities, companies must provide their KAMs with the right CRM platform. The first two CRM project's critical factors of adoption and success, that is, ease of use and perceived usefulness, represent the cornerstone of CRM for key account accessibility.

Readiness refers to *the state of being fully prepared for something along with the notion of immediacy and promptness.* Through their relational and analytical databases, CRM systems equip and empower KAMs with a critical competitive advantage. That is to say, when managing SCAP and KAMP, KAMs must perform multiple account analyses and make important decisions while interacting live with buying center's members such as deciders, buyers, users, or influencers. KAMs ability to quickly access and utilize key account related information at the right moment, at the right place, and for the right purpose, not only pertains to his or her skills, but

also to a company's customer-centric strategy. The CRM projects critical factors of adoption and success, such as the system truthfulness and the system uniqueness, exemplify what CRM for key account readiness means when managing large customers.

Collaboration, accessibility, and readiness is enhanced almost beyond recognition when we consider a dispersed key account team working together using and sharing the following consistently available data, information, and knowledge:

- A library of all documents that reference the key account.
- A complete, up-to-date, and accurate list of selling and buying center contacts and roles. In a key account, there could be hundreds of such contacts. This relevant key account "rolodex" is necessary for effective collaboration and tactical execution of KAMP processes.
- Simple, easy-to-use audio and video conferencing and webinars. More and more frequently dispersed key account buying and selling centers communicate using these technologies.
- Accurate key account product and service histories.
- Active global and local sales opportunity information that allows dispersed key account teams to support current KAMP opportunity management, identify new, similar opportunities and upsell and cross sell across geographies and business units.
- A complete history of key account activities (meetings, e-mails, phone calls, seminars).
- Summary of each key account activity associated with a sales opportunity or service issue.
- Shared Calendars for every member of the key account selling *and* buying centers.
- A collaboration "feed" of up-to-the-minute activities that keeps the entire key account team constantly aware of all relevant account activity.
- Real time "chat" within the selling center, the rest of the supplier organization and the buying center fostering a culture of key account buying and selling centers working together to solve problems and increase performance of both organizations.

- Internet research, relevant social media (e.g., LinkedIn), industry and financial information for the key account.

Such information should be available to every member of the selling center of a firm that relies on a CRM system (though some audio, video, and webinar capabilities might be outside the boundaries of some CRM systems, as is the initial Internet research). The information must be seamlessly available on any device the user wishes to use including laptops, tablets, smart phones or smart watches. With access to all that information, the key account selling center will be more efficient, thus successful, and better organized to increase the supplier's value to the key account, as well as the team's performance. Now, we focus on how selling center members can use the information in a CRM system to collaborate and achieve success, in accordance with the KAMP (Chapter 2).

CRM, Open Space, and Push Opportunities. As a result of our enhanced Open Space analysis (Chapter 1) we have identified potential opportunities for supplier solutions that the key account is not currently buying and/or in a business or geographic segment we have not penetrated. And we have identified the subset of those potential opportunities that help the key account achieve their most important strategies. In *opportunities management* these are *push* opportunities. To review, push opportunities are any sales opportunities the selling center identifies that the account has not communicated to the supplier. How does CRM support that opportunity identification?

An oil and gas service company we work with has a global key account with operations in the North Sea. After a sales call with a facilitator a local territory salesperson entered the following information in the CRM system.

- This customer's North Sea production grew by 58 percent from 2003 to 2005 to more than 36,000 bpd.
- The customer wants to double the 2005 level by the year 2010. This strategy depends on the utilization of technology.
- We have a good relationship with Dave C. and John B., the North Sea business unit VP and Director, respectively.

What have the CRM system and users accomplished? These brief notes accomplish several critical objectives. First, the salesperson has entered information she gathered through a sales call. Because managers likely expect her to enter sales call results into the CRM system, she receives some personal benefit by relying on the system and entering the information. Second, the KAM learns, through the system's collaboration function, that the sales call has occurred and what the key account communicated. Thus the KAM can add an important entry into the key account's open space analysis.

Such *information awareness* is one of the ways CRM systems support the identification of push opportunities. KAMs need to keep their "ears to the ground" to identify activities that might involve their key accounts, and CRM systems are effective listening aids. Pertinent activities go beyond just supplier actions such as website hits or service and sales calls; they include social media, corporate communications, and any Internet mention of the account. Careful listening activities should uncover opportunities for potential sales by the supplier and valuable solutions for the customer. Thus in our example, the additional 36,000 bpd in the North Sea represented an additional $850 million in revenue per year for the customer, and when the supplier implemented new technology that contributed to achieving this added revenue, it became a very valuable partner. Competitively, this positive impact on customer strategies makes the supplier much harder to displace in the account. Furthermore, by identifying the push opportunity at an early stage, the supplier established itself as a business partner supplying a solution for an important business initiative, not just a passive responder to a call for proposals.

CRM, the Sales Opportunity, and the Account's Health. In addition to identifying sales opportunities, CRM systems can monitor progress and enable collaboration. The KAM and Subject Matter Leader(s) enter push opportunities into the system and add temporary members as needed to the selling center. This expanded team creates an appropriate strategy, qualifies the opportunity (see Chapter 2), and executes the strategy if it meets the qualification requirements. The CRM system contains an "Opportunity" folder that details all the information about that potential sale. Unlike a physical folder though, the CRM Opportunity file is accessible to anyone (with the necessary security), regardless of their location

Figure 3.3 Sample Opportunity Folder in a CRM System

or their business unit in the supplier organization. A sample Salesforce.com Opportunity folder appears in Figure 3.3.

Beyond detailed summary information, the easily and universally accessible folder contains other subfolders with additional data about this Opportunity, including:

- Contacts in the buying center
- Buying center roles of those contacts
- Anticipated or proposed products and services
- Quotes
- Invoices
- Agreements or contracts
- Documents received from the key account
- Documents created for or sent to the key account (e.g., presentations, proposals)

- Members of the selling center
- Web requests or leads
- KAMP concerns
- KAMP expectations
- KAMP choices
- KAMP projects
- Planned and completed activities
    - E-mails
    - Call notes
    - Phone calls
    - Meetings
    - Tasks
    - Other

Each folder or set of related information constitutes a list. For example, for any one Opportunity there could be dozens of contacts in the buying center; multiple proposed products and many quotes. The activities conceivably could number in the hundreds. The power of such an opportunity folder is that *everything is in one place*. Not only does every member of the selling center contribute entries, every member of the selling center can also see them. Assuming the appropriate visibility rules, anyone in the supplier organization can see everything about this sales opportunity. Moreover, in addition to opportunity-related information, the system features a *collaboration feed or ticker*, so that members of the selling center can rapidly post important developments, ask a question that needs a quick answer, or even just find a great restaurant to take the client in Aberdeen.

In contrast, in a non-CRM environment, the information would be dispersed over various, unconnected locations. Contacts would be in Outlook. Activities would be in a personal calendar, in chronological order mixed in with all other activities. Past activities would not be easily accessible. There would be no phone call record, or any mention of tasks. Quotes would appear in a quote system, invoices in receivables, proposals in an account file, and the members of the selling center would only be collected in a distribution list. Such issues certainly would not ease the SCAP and KAMP execution and efficiency since they do not represent true collaboration, accessibility, and readiness of CRM CAR.

Key account teams that use such CRM systems are virtual in two ways. First, members come and go, depending on the KAMP processes at work. Second, members of the team are often geographically dispersed, as is their key account. Regardless of locations though, the selling center needs to know what is happening everywhere the key account is. Even in dispersed, segmented buying and selling organizations, the kind of information available in CRM CAR allows them to gather that information, then collaborate and operate as an effective team. The result is a substantial competitive advantage over competitors that lack an effective CRM CAR view.

Another advantage of a CRM CAR approach relates to its ability to help the selling center monitor the health and satisfaction of the key account, as required by the retention and growth objectives. For example, a CRM-based early warning system functions as an alarm for KAMs, alerting them to any KAMP *concerns* or *expectations* that might hinder retention or disrupt current or future sales opportunities. Figure 3.4 provides

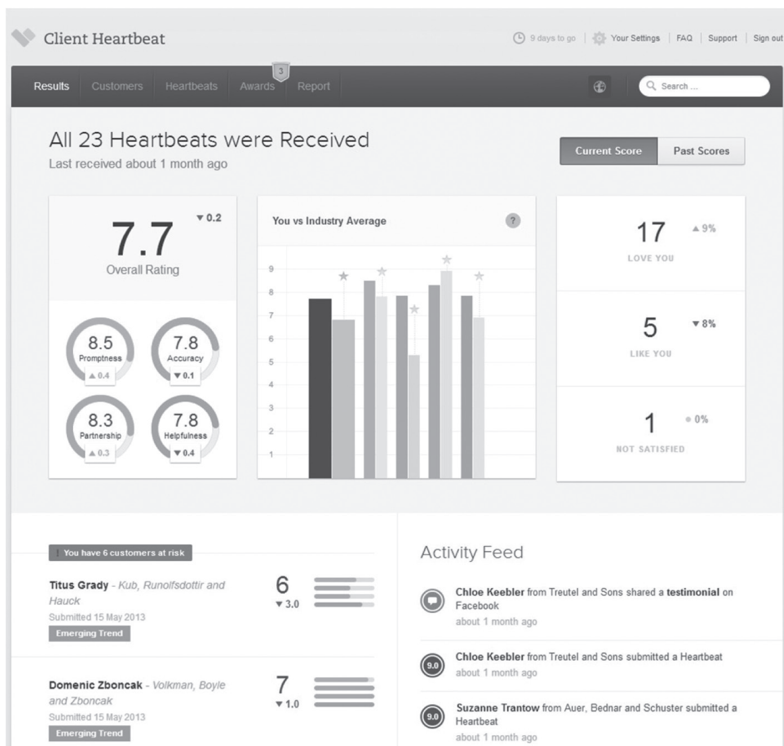


Figure 3.4 Account's Health CRM Dashboard Example

an example of a customer-centric Salesforce.com CRM dashboard that monitors the account's health.

Finally, the availability of CRM information allows a team to operate as a team, functioning better than individuals, because it becomes fun and rewarding to operate in an information-rich environment, where colleagues and team members offer up valuable, easy-to-locate information that helps each member do a better job, individually and collectively.

Using Technology to Add Value for the Key Account

As we discussed in Chapter 1, the use of technology affects the switching costs for customers. Technology-based services such as eBay, Amazon, and even simple search engines make it easier and less expensive to switch to other suppliers. By the same token, the technology adopted by suppliers such as Grainger and Dell can make it harder and more expensive for their key accounts to switch. For this section, we consider ways to use technology that add value and make it harder to switch.

First, technology can support the creation of innovative products and services, designed specifically for a key account. If the innovation results from a partnership with the key account, it constitutes value co-creation. Technology can support this innovative process, because as selling center members seek ways to modify, enhance, or create their products to address the customer's problems, CRM supports their effort. Second, technology adds value at the boundary between the customer and supplier that would disappear, if the customer switched suppliers. This form is the one leveraged by Grainger and Dell.

Using Technology to Create Value at the Boundary

According to Neil Rackham, in his book *Rethinking the Sales Force*, "The external boundaries between customer and their supplier are an absolute productivity gold mine. The room for improvement is almost inexhaustible. The way most suppliers have historically worked with their key accounts is all too often a model of inefficiency and waste."[36] Is he right? Let's start by considering the size and breadth of the boundary.

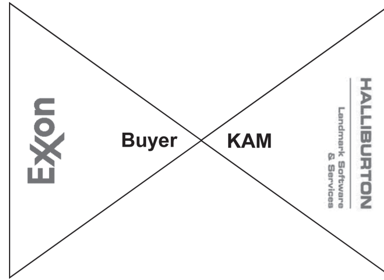


Figure 3.5 A Small Sales Boundary

(Adapted from Global Account Management—Peter Cheverton[37])

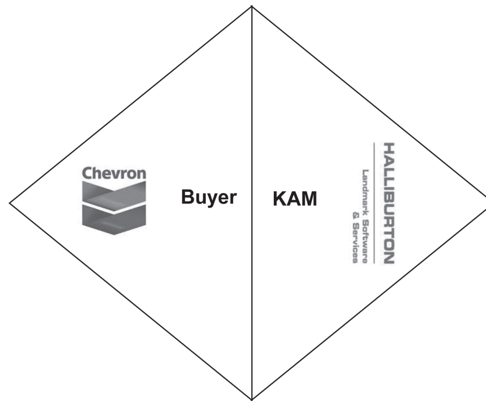


Figure 3.6 A Large Sales Boundary

(Adapted from Global Account Management—Peter Cheverton[38])

Its size depends on where on the continuum of customer relationships the key account falls. A key account can be anywhere on the continuum; where it appears determines *how* the customer participates in a key account program. In the Exxon versus Chevron example from Chapter 1, the boundary between each customer and Landmark was dramatically different. (Figure 3.5 depicts the Exxon–Landmark boundary).

In this relationship, the buying center is unavailable to the selling center, only the buyer is accessible, not the influencers, users, and decision makers. Therefore, the ability to add value at the boundary is limited, because the customer prefers to impose such limits. Still, technology can help add value, related to making the supplier easier to do business

with, in the customer's view. To add value, Landmark should increase the efficiency—not the effectiveness—of its buyer–seller relationship, such as by using advanced technology to integrate the order, delivery, invoice, and payment processes. Figure 3.6 depicts an opposite position on the relationship continuum.

There is a lot of opportunity to add value at this boundary. In this relationship, the buying center is completely available to the selling center. Selling center members can discuss value creating or boundary spanning ideas with anyone at the customer that they think they can help. The ability to add value at the boundary is unlimited. In this case Chevron *wants* Halliburton's geophysicists to work directly with their own experts to collaborate on the best way to find and measure hydrocarbons. They *want* Halliburton operations and supply chain managers to work with their Chevron counterparts to find ways to optimize the supply chain and insure that Chevron has the right Halliburton products at the right place at the right time. Technology adds value here through collaboration tools and information awareness discussed above. Collaboration enabled across these examples, and many others, add value *and trust* to both sides of the relationship.

The differences in value-adding potential of these two approaches reflect a pertinent difference in the roles of the KAM for these two key accounts. In the Exxon relationship, Landmark's KAM is in charge: All interactions go through this KAM and the counterpart in the buying organization. In the Chevron relationship though, the KAM must give up some control and function more as a bridge, finding and leveraging opportunities for the supplier to add value by connecting relevant people on both sides, and then letting go. Still, the KAM maintains vigilant awareness of the state of the relationship, mainly using and encouraging the members of the *selling and buying centers* to use the CRM system constantly. This often-overlooked variance in the KAM role can create some frustration for excellent salespeople who take on a KAM role, without realizing it may require them to give up some control, a shift they tend not to like.

Figures 3.5 and 3.6 represent two extremes of the relationship continuum; most key accounts fall somewhere in between. In some connections and at some boundaries, a key account might welcome the supplier's attempt to add value, but at others, it will not. For example, a key account and supplier might find lots of opportunities and synergies while working

together to reduce supply chain costs and time but be unwilling to consider new product co-creation. The determining factor is often the people and their personalities, more than policies or strategies. As we have noted, people buy from and build relationships with other people they know, like, and trust.

Boundaries Where Technology Adds Value

What exactly resides at the boundary between the selling center and the buying center? What opportunities exist for a selling center to use technology to add value at this boundary? The answer is a long list that gets longer with each technological advance, but we can consider a few instructive ideas and examples.

Supply chain integration. Suppliers spend cash to obtain raw materials and pay for labor. If they can spend that cash closer in time to the moment they get paid for the product they sell, they can make more money. In addition, if they can spend only as much as needed to make the right products in the right quantities, they perform even better. With supply chain integration, which commonly relies on a CRM system, both the customer and the supplier can save money and time, such that it creates tremendous value at the boundary. A prerequisite though is a key account willing to share closely guarded information, such as confidential details about the company's production plans, new projects, or revised strategies. It must also be able and willing to make the financial investment to modify its in-house systems.

Financial systems integration. With this straightforward opportunity to create value, the integration of customer payables with supplier receivables automates existing manual systems, reduces errors, and speeds up the cash flow across organizations. For this form of technology integration, the customer again must be a willing participant.

Product development, engineering, and co-creation. Despite the many opportunities to create value at this boundary, it is probably the area in which customers are least likely to share resources or sensitive, confidential information. Suppliers nearly always have a more complete understanding of ways to use their products and services than any single customer could develop. It is up to the KAM to take advantage of this expertise to

offer more value to the customer. In Chapter 1, for example, Chevron had a problem accurately measuring the volume of hydrocarbons in a specific type of geology—a sensitive, competitive concern. The Landmark KAM realized the problem and asked Chevron if it would be willing to share further information to work with Landmark to develop a solution (i.e., push opportunity). Then the KAM got out of the way and let the two technical teams work together. The resulting collaborative environment relied heavily on the use of technology and ultimately developed a solution that Chevron valued as worth many times the cost of the solution. After allowing Chevron an 18 month contractual head start, Landmark still had a leading-edge product it could sell more widely and that quickly became a market leader.

These three descriptions are just examples; other opportunities to create value span:

Human resources, to identify organizational members with the right expertise to solve a customer problem.

Training, to reveal sites where partners can use each other's training resources.

Field service, to locate the right resources.

Marketing, to find the best time to promote products that contain certain supplier components, as well as the best company to promote them.

The future undoubtedly will provide opportunities to use technology to create customer value that we cannot even envision. Thus KAMs must constantly look for innovative, creative ways to use technology to add value to both organizations. If they do, they can more effectively retain and grow their key accounts. If they don't, competitors—often unforeseen—will use new technology to win their own business.

From the CRM Concept to CRM Value for Key Accounts

Key account selling centers need CRM. Once they understand that though, they still must find a way to implement a CRM system that lives up to the promise of adding value to their key accounts. Success lies in

understanding what CRM is, as well as what it is not. So we start with not one but three definitions.

> *CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit.*
>
> —Dr. Francis Buttle[39]

> *A strategy and process that utilizes technology to identify, attract, and retain customers [and] leverage its relationships with its customers. The agile salesperson uses CRM technology to assist him/her in managing customer interactions and transactions.*
>
> —Dr. Eli Jones et al.[40]

> *CRM is a business strategy with outcomes that optimize profitability, revenue and customer satisfaction organized around customer segments, fostering customer-satisfying behaviors and implementing customer-centric processes.*
>
> —Ed Thompson, Gartner Group[41]

Francis Buttle has written over 300 articles and 7 books focused on managing customer relationships and CRM. Eli Jones began his career as a Frito Lay account manager. He was the founding Executive Director of the Sales Excellence Institute at the University of Houston Bauer College of Business and held dean positions at several business schools. Ed Thompson is a VP and Distinguished Analyst at Gartner Research. He has been a part of the Gartner CRM practice since 1995. He is Gartner's research leader for the CRM Strategy and Implementation topic.

All three definitions from these different and well-respected authorities agree fundamentally on what CRM is (a business strategy) and what it is not (a technology). As Gartner reinforces the point: "Many organizations still view CRM as a technology deployment project. CRM program and project leaders must understand the importance of viewing CRM as a business strategy, rather than a technology strategy."[42] If we approach the use of CRM as a business strategy, we can uncover the full value of the concept, which serves both the selling center and key accounts well.

Making CRM Successful for the Selling Center

It is relatively easy for key account selling centers to adopt and use CRM. Most members of key account teams understand that to collaborate and work as a dispersed, virtual team, responsible for a large, valuable customer, they need what CRM provides. Information they need flows *to* them. They also enter information, but the trade-off is worthwhile, because substantial, valuable information about their key account comes from others, including members of other corporate functions, beyond the selling center. The challenge is getting the rest of the organization on board, especially other sectors of the sales force.

To make CRM successful for the entire supplier organization, they must first be, or become more, customer centric, which means they do more than "proclaim their customer focus … they've moved beyond lip service and re-oriented their entire operating model around the customer, increasing customer satisfaction and their own profitability in the process."[43] This move is difficult. Very few companies are truly customer centric. Instead, most of them define their focus according to products, geography, operations, or engineering. Some adopt a matrix organization around multiple concepts. But a lack of customer centricity invariably causes problems for CRM adoption. For example, functional silos hinder or reduce information sharing and collaboration. If the organization and its culture do not call for collaboration, the successful deployment of this strategy is virtually impossible.

But assuming that a supplier is or will become a customer-centric organization, several additional factors define CRM strategy success. We adapt Gartner's eight building blocks of CRM:[44]

- Create a CRM vision. What should the organization look like after implementing CRM?
- Develop a CRM strategy. How can this vision be achieved, and how will the strategy enhance customer assets?
- Understand the customer experience. How will the customer benefit from the CRM?
- Facilitate organizational sponsorship and communication. Communicate the value of and commitment to CRM, from the top of the organization.

- Set up appropriate processes. Are all customer-touching business processes efficient for the customer *and* the supplier?
- Gather accurate and complete information. Engage in manual efforts to correct data and complete missing data.
- Implement technology. Use any technology that fits, but only one solution for the enterprise.
- Decide on measures to gauge success. Adopt a few measurable, specific objectives.

We also add two more pieces to the successful CRM deployment puzzle. First, everyone and everything that touches the customer should register that interaction readily and easily into the CRM system. Every interaction that is not registered in the system reduces the value and accuracy of CRM. For most organizations, those reductions can add up quickly.

Second, the best results stem from the infusion of CRM, not merely its routinization. In their study of the factors that lead to the adoption of sales force automation, Jones, Sundaram, and Chin[45] differentiate *routinization* (routine use) and *infusion*. *Routinization* is the extent to which a salesperson integrates the use of the information technology into her or his regular work routine. *Infusion* is the extent to which the full potential of the technology appears embedded in the organization's operational or managerial work systems.[46] Although the routine use of CRM can improve administrative efficiency, it does not increase sales performance. Infusion instead is required to enhance sales performance. Therefore, a salesperson who routinely enters call reports into the CRM system, to fulfill a job requirement, improves the company's administrative efficiency but has no effect on sales performance. A salesperson who uses CRM consistently, as it is meant to be used, instead is likely to achieve improved sales performance.

Thus, a successful CRM strategy requires customer-centric organizations whose executives develop and communicate a CRM vision and strategy. The organization can implement the strategy, modifying and improving the customer experience as necessary, insuring accurate and complete data, implementing necessary technology, and measuring success. The supplier involves everyone who touches the customer in the deployment and thereby fosters a culture of CRM use.

Recently at the 2014 San Francisco Dreamforce conference which attracts over 100,000 thousand visitors and CRM experts, Salesforce.com introduced Analytics Cloud to (1) propose a solution anyone can use, (2) that smoothly works on mobile devices, and (3) provides a platform for developers to integrate relevant applications. This CRM technology possesses dynamic dashboard visualizations for quick response and interactive customer data analysis, a structured and unstructured form of customer data search and navigation, and ready to use displays of information for prompt decision making. Three interesting case studies from Coca Cola, GE Finance, and Honeywell showed how quickly KAMs can leverage this technology and SCAP when interacting live with customers and making business case simulations for them. Such situations again underline the importance of efficient CRM CAR for KAMs.

Challenges in CRM Adoption and Use

Customer relationship management is *hard*. Gartner Dataquest research shows that over the course of 2 years, the amount invested in CRM applications grew approximately 40 percent, to reach almost $1.5 billion. Yet in the same period, project failure rates continued to exceed 60 percent.[47] The gap likely reflects the failure to factor adoption rates into the justifications for CRM adoptions; many analyses assume adoption rates of 90 percent or greater. But a lack of end-user adoption often dooms such projects. Achieving the benefits of CRM applications for field sales depends on end-users' nearly total adoption. In this section, we provide a potential explanation of why sales managers keep requiring CRM use by their salespeople but see little or no widespread adoption and rare improvements in sales performance.

To start, CRM is a different kind of system. Other systems do not feature lots of optional data: The necessary information is exactly what gets entered. For example, to place an order, a salesperson completes specific fields, and failing to do so means that the order does not get entered. For CRM systems in contrast, virtually all the really valuable information, especially in a key account setting, might be "optional." Thus, even when members of the selling team are required to adopt the system, they might not be providing the most critical and valuable information. A salesperson might have to enter an order to have a

product shipped, but they don't have to enter the reason the customer placed the order.

Let's go back to the Salesforce.com example in Figure 3.1 at the beginning of this chapter. The task information at the top of the screen is required. None of the information the student sales representative entered at the bottom of the screen was required—but that's exactly where almost all the sales value appears. None of the information our student sales representative used to make this first call successful—the 7:00 am call time, the China connection, and the business challenges—was required, it was all optional. The required information at the top might have some value to a sales manager seeking to monitor activity. And the KAM and selling center could find some minimal value in the knowledge that the sales rep met with the contact person from CI. But even these tidbits are of little value without the rest of the information, and that added "optional" information is the source of tremendous sales value to the selling center. Therefore, enforcing the entry of required information will cause adoption, but it will not deliver business value in the form of increased sales effectiveness. Further, because the entry of optional information cannot be legislated or enforced, members of the key account selling center must find CRM *useful.* It is for this reason that we concur with Gartner's assessment of Salesforce.com as the Gartner Magic Quadrant SFA leader.[48] In our experience as academic researchers and as users, Salesforce.com is more useful for key account teams for four critical reasons:

- The team and opportunity management functionality is functional enough for the complex key account environment and customization is easy and powerful.
- It is cloud based and has a highly functional, easy to use mobile capability allowing it to be used wherever a global account team needs it.
- The AppExchange third party application ecosystem (similar to Apple's Appstore) allows the functionality to be easily extended with tightly integrated applications.
- The collaboration and community functions not only allow the key account team to collaborate easily and effectively, it provides extension of that same capability to the customer's buying center members.

Chapter 3: Summary and Key Points

1. The selling center is geographically and organizationally dispersed. Customers have multiple "touch points" into the supplier organization—and multiple virtual places to talk about the supplier outside of either organization. Therefore the use of technology like CRM is required for collaboration and teamwork.
2. Six antecedents are usually root causes for poor CRM adoption and inadequate returns on investment. They require constant attention and effort: Ease of use, perceived usefulness, system truthfulness, peer usage, management commitment, and system uniqueness. If not perfectly managed, those six determinants won't facilitate the CRM CAR approach, thus Collaboration, Accessibility, and Readiness KAMs need in their role.
3. Through information awareness, CRM systems support the identification of push opportunities. They help put the KAM's "ear to the ground" and identify pertinent activities, from website hits and service and sales calls to social media, corporate communications, or Internet mentions of the account. Such listening can uncover opportunities for a potential sale and a valuable solution for the customer.
4. In CRM systems, the Opportunity folder should hold all information about a potential sale. Anyone (with appropriate security) can see and update the folder, regardless of where they are in the world or what part of the supplier organization they represent.
5. The Opportunity folder puts everything in one place, combines input from everyone in the selling center, and shares information with everyone in the selling center, or even across the entire supplier organization. Thus it is far more efficient and effective than old-fashioned, disparate information in a non-CRM environment.
6. In dispersed, segmented buying and selling organizations, CRM CAR represents the best approach to collaborate and operate as a team, so suppliers that adopt them enjoy tremendous competitive advantages. In such information-rich environments, team members enjoy sharing and using the valuable information, ensuring that the teams perform better than their individual members could.

7. Technology can support the creation of innovative products and services designed specifically for a key account, in that CRM systems help selling center members find ways to modify, enhance, or create products that solve customer's problems and thus create value.
8. Technology also creates value for the customer at the boundary with the supplier. When this value at the boundary exists, it is harder for the customer to switch suppliers, because if it did, it would lose that value.
9. The role of the KAM depends on the key account's position on the continuum of customer relationships. In a transactional relationship, the KAM is in control; in a partnership, the KAM must give up some control and seek opportunities to add value by connecting the relevant people from the supplier and the customer, while still monitoring the relationship, through the use of the CRM system.
10. A successful CRM strategy requires a customer-centric organization whose executives develop and communicate a CRM CAR vision and strategy that the organization implements, by modifying and improving the customer experience as necessary, ensuring accurate and complete data, implementing necessary technology, and measuring success. When everyone who touches the customer participates in the deployment, it fosters a culture of CRM use.

CHAPTER 4

Business Customer Marketing and Key Account Development

The key is not to prioritize what's on your schedule, but to schedule your priorities!

—Stephen Covey

Key account programs pertain to and represent actions stemming from the marketing strategy. They usually entail multiple customer accounts, yet they still suffer from resource limitations—people, time, money, and so forth. Formulating appropriate marketing strategies and resource allocations for groups of customers thus is of critical importance. In this chapter, we first describe how key account portfolio analysis can help characterize and prioritize large customers, to differentiate the value proposition. In addition, we specify the leadership role that KAMs must fulfill, to coach the buying center appropriately and develop accounts further.

Marketing Strategy and Analysis for Key Account Customers

Portfolio Analysis, Management, and Targeting Key Accounts

Key accounts differ in size, current and potential revenues, and fit with the supplier's marketing objectives. Some customers are well-known manufacturers, prestigious brands, or market leaders; others struggle with

their product quality, innovation, and market positioning. Moreover, some customers have complex buying processes, whereas others adopt more straightforward methods.

Portfolio analyses provide excellent tools to assess, discriminate among, and manage business customers, on the basis of their relevance to a supplier; defined in terms of attractiveness, purchase trends, profitability, or market share. It is also important for the supplier to understand its relative position, compared with competitors' positions, potential threats, and opportunities.

Because selling centers face marketing resource constraints, they need to categorize and strategize key accounts to dedicate support on the basis of the needs of each customer. The KAM, as the owner of the customer relationship, must leverage his or her knowledge to execute the marketing strategy, as it applies to the right accounts. In this effort, key account portfolio analyses can help identify the strategically appropriate investment in key account relationships.

Specifically, key account portfolio analyses should answer four questions:

1. With which key accounts should we maintain our current level of commitment and relationship?
2. With which key accounts should we increase our level of commitment and relationship?
3. With which key accounts should we reduce our level of commitment and relationship?
4. With which key accounts should we cease any commitment or relationship?

Fiocca's[49] pioneering portfolio analysis framework offers a means to assess customers on the basis of their strategic importance for the supplier, as well as the difficulty associated with managing this customer (see Figure 4.1).

The strategic importance of the account depends on the associated:

- Volume or dollar value of purchases
- Potential

Difficulty in Managing the Account	Strategic Importance of the Account: High	Strategic Importance of the Account: Low
High	Key Difficult	Non-Key Difficult
Low	Key Easy	Non-Key Easy

Figure 4.1 Fiocca's Customer Portfolio Analysis

- Prestige
- Customer market leadership
- Overall account desirability, according to
  - The company's business diversification
  - Potential to open new markets
  - Technological strength
  - Effects on other relationships

As these criteria reveal, the strategic importance analysis must be balanced carefully. Some customers might account for small volumes or turnover, yet they function in a fast growing, high-potential market. In another situation, the market might be narrow, but the customer could lead this niche. In considering overall account desirability criteria, the analysis requires that the KAM clearly understands the marketing strategy, to ensure a good fit and recognize ways that a key account might be instrumental to his or her company's growth.

The criteria that define the difficulty associated with managing an account criteria are:

- Product characteristics, namely
  - Novelty
  - Complexity
- Account characteristics, namely, the customer's
  - Needs and requirements
  - Buying behavior

  - Technical and commercial competence
  - Power
  - Desire for competition (i.e., wants many suppliers)
- Competition for the account, namely,
  - Number of competitors
  - Strengths and weaknesses of competitors
  - Competitors' position with the customer

The complexity of an account needs to be balanced with the duration of the relationship; an account might seem difficult to manage, simply because the relationship is new, so members of the selling and buying centers do not know one another well, nor are they familiar with each other's processes. When these relationships have been established, with well-structured processes, the account likely becomes less difficult to handle. Moreover, account difficulty criteria depend on the supplier's willingness and ability to cope with the customer's requests.

KAMs and marketing managers should work together to perform such analyses, because the criteria are both objective and subjective. Marketers can provide insights about the importance of the account and its resonance with the marketing strategy; KAMs should know more about the customer's buying behavior and the difficulty of their requests. Using account analysis and screening, Fiocca suggests categorizing customers as *key* or *non-key*, depending on their strategic importance, and *difficult* or *easy*. A more in-depth analysis of each account should follow, especially if they rank as *key difficult* and *key easy*, to specify each customer's business attractiveness and the supplier's own relative position. With this information, the supplier can determine what to do with respect to each account.

This valuable approach may reveal that the company is allocating too much attention or resources to non-key customers rather than key customers, which in turn might be underserved. However, Fiocca's model does not rate customers' profitability per se, so additional analyses and discussions need to take place between marketers and KAMs.

To this end, Dubinsky and Ingram[50] propose a portfolio analysis approach that integrates present and potential profit contributions (Figure 4.2).

This version of a portfolio analysis encourages KAMs to think in terms of profitability, not just volume. Such a perspective is critical for

Potential Profit Contribution	Present Profit Contribution: Low	Present Profit Contribution: High
High	Undeveloped Accounts	Desirable Accounts
Low	Undesirable Accounts	Developed Accounts

Figure 4.2 Dubinsky and Ingram's Customer Portfolio Analysis

key accounts, for which attempts to increase the volume of sales might prompt the buying center to issue specific expectations and requirements that increase the costs of serving the account. In line with the 80/20 rule (Chapter 1), a few accounts likely contribute most to the selling company's profitability. The search for a balanced portfolio of profitable and less profitable key accounts thus is of critical importance, and KAMs' endeavors to augment and develop their accounts must take the return on investment carefully into account.

To this end, Dubinsky and Ingram suggest a ratio of the profit contribution to contribution margin, where:

Net sales to a particular customer
—Cost of goods sold

Gross margin
—Direct selling expenses of the salesperson

Contribution margin of customer

The *present profit contribution* refers to a customer's current contribution margin during a specific period of time; the *potential profit contribution* relates to the customer's expected contribution margin in the future. A breakdown analysis of the profit contribution is necessary, in that the

selling company must understand the precise costs and benefits of serving its key accounts.

To determine the present profit contribution, the following indicators are informative:[51]

- Products sold to a customer over a period of time, according to orders or invoices
- Costs to produce the sold goods, obtained from financial and accounting data
- Costs to sell the goods
    - Presale costs
        - KAMs salary, bonus, commissions
        - Relationships expenses (e.g., customer entertainment, meals, travel)
        - Administrative expenses (e.g., car, computer, phone)
        - Trade credit costs (i.e., customer's delayed payments and debts)
    - Postsale costs
        - Delivery costs
        - Service costs (e.g., maintenance, claim handling)

To evaluate the potential profit contribution of each account, the KAM, in collaboration with the accounting department, should estimate and integrate additional indicators:[52]

- Forecast of products to be sold to a customer over a period of time
- Predicted costs to produce the forecasted goods to be sold
- Predicted costs to sell the forecasted goods to be sold

Such an exercise is far from straightforward. For example, some companies' accounting approaches are product-centric rather than customer-centric. Forecasting how much product will sell and the associated potential costs is a constant challenge for virtually every company. These issues require the deep collaboration among the marketing department, accounting, and the KAM.

Yet as is the case for most business plan exercises, many of these indicators can also be evaluated through simulations. Moreover, predictions can be assessed at a later time, to compare anticipated with actual values, which suggests the necessary adjustments to make to future plans. In addition—and in line with the purpose of customer relationship management (CRM)—such data should be stored and retrieved from a central system. As we saw in Chapter 3, the best CRM systems grant access to and display customer-centric dashboards (e.g., account's health information) for everyone in the firm to be aware of and use.

In applying these criteria, firms can assign low potential/low present profit contribution firms to an *undesirable accounts* category: They are costly, and their profit contribution is less than the costs associated with serving them. These undesirable accounts tend to be customers who do not buy regularly but request customized products, services, and attention from the supplier. Customers with high potential/low present profit contributions are *undeveloped accounts*. They might have been recently acquired, or their expectations and needs might fit with the selling company's offering, but these accounts require some additional specific efforts from the KAM to blossom. Considering their high potential profit contribution, sustained investments by the selling center in these accounts should ultimately pay off well. High potential/high present profit contribution customers are *desirable accounts*. The supplier already benefits from devoting time, investments, and relationship efforts to these customers. Finding such customers can facilitate a better balance and justify allocations of marketing and selling resources. Finally, the customers that exhibit low potential/high present profit contributions are *developed accounts* with just modest potential. The main goal for this category is understanding and explaining why the account potential is so low. Perhaps the supplier's goods or services do not contribute much to these customers' value chain. It even might have lost some of these accounts' market share to competitors. Alternatively, these customers might be struggling with their own market positioning. Because the supplier already has reached a somewhat mature position in these developed accounts, it is important for the KAM to maintain the well-established relations, but the allocation of marketing and selling center resources needs to be carefully assessed.

Portfolio analysis should lead consistently to better decisions for targeting key accounts. However, it also features some implicit difficulties, and two concerns must remain central before making portfolio analysis-based decisions. First, the customer classification cannot remain static; it is not definitive. Some customers may be unprofitable today but grow more profitable over time, especially if they start purchasing new product lines. The KAM should forecast such potential sales, then check these predictions against reality. Second, the question of customer profitability might be less pertinent that it seems, because large customers also drive and inspire their suppliers' strategies.

Portfolio analysis should be used with the Open Space analysis presented in Chapter 1. First, the simple Open Space analysis should help to strategically and proactively identify growth opportunities a key account program can provide. Second, we recommend leveraging the enhanced Open Space analysis to: (1) identify the key accounts business segments which are important for the business strategies while not using the supplier's offerings, (2) identify the key accounts business segments where competitors have an advantage, and (3) define strategic directions to grow customers with potential open meaningful opportunities. When the key account program is running and the supplier has experience with key account customers, the portfolio analysis should be used to: (1) assess the extent to which the supplier works with the right customers in regard to the business strategies and (2) evaluate which key accounts to retain and grow to increase the overall profitability of the key account program.

After selecting key accounts to target, retain, and grow, the KAM must differentiate the value proposition associated with executing the firm's marketing strategy for these accounts, as we address in the next section.

Marketing Differentiation and Positioning Within Key Accounts

Business marketing seeks to differentiate the supplier's value proposition at the customer level and then make sure key stakeholders from the buying center recognize it. KAMs carry this ultimate responsibility. They must identify the criteria that drive buying center members' needs, and then develop a competitive value proposition checklist to determine

the extent to which the supplier's solution can fulfill those needs, at the highest hypothetical price.

Identifying Buying Center Members' Criteria and Needs

As we mentioned in Chapter 2, customer value refers to *the tangible and intangible benefits that large customers expect from a supplier's selling center, relative to available alternatives, to fulfill a set of needs, for which hypothetical prices exist.* Accordingly, the KAM must be aware of, and know how to drive, the tangible and intangible benefits that the buying center's key members perceive and appraise. To identify these criteria and needs accurately, KAMs should adopt a four-step approach:

1. Identify the tangible and intangible criteria on which decisions are based.
2. Assess the importance of each criterion.
3. Assess the extent to which each solution differs from competing offers and determine the relevant criteria.
4. Gauge vulnerability in relation to relevant criteria and compensate for these vulnerabilities.

Identify Tangible and Intangible Decision-Making Criteria. Tangible benefits, such as the technical aspects or the price of the solution, have economic value. They are relatively easy for the customer to understand and compare against expectations and competitive offers. In addition, the KAM can readily identify these tangible benefits through the expectations management and choices management dimensions of the KAMP. However, to differentiate and position the supplier's value proposition at the customer level, the KAM needs a clear view and understanding of all the criteria at stake, from the customer's perspective. Thus we recommend that the KAM develops an exhaustive list of criteria and breaks them down according to three categories:

- Core transactional measures (product/service performance, reliability/quality conformance, price)
- Service measures (service recovery quality, responsiveness, flexibility)
- Process measures (integration, coordination, innovation)

Intangible benefits instead are the psychological benefits the customer seeks from the selling company; the KAM must understand them too. During the expectations management and choices management dimensions of the KAMP, the KAM can gather information about the important intangible benefits by observing the attitude and behaviors of buying center members or asking a facilitator directly what people are looking for. With this information, the KAM can classify the intangible criteria on the basis of buyer–seller fit, including shared values, strategic fit, operational fit, and personal fit.

In the process of positioning the offer at the customer level, the KAM next combines the list of tangible and intangible criteria with each buying center member's roles, to define the most appealing criteria for each role. For example, the main criteria for deciders might be:

- Overall cost
- Budget alignment
- Return on investment
- Productivity increase
- Profitability increase
- Flexibility increase
- Change within the organization
- Social peace within the organization
- Return a favor

Buyers' criteria might include:

- Pricing and discount configuration
- Overall cost
- Budget alignment
- Return on investment
- Request for proposal alignment
- Potential for new relationships with new suppliers
- Means to acquire and implement a unique solution
- Lower switching costs for subsequent purchases
- Higher barriers to entry for other suppliers
- Users' satisfaction

- Deciders' satisfaction
- Quality assessment and control
- Organizational productivity and effectiveness
- Being in charge
- Remaining in the current position
- Peace of mind
- Return a favor

Users' criteria likely focus on:

- Solution usefulness
- Solution reliability
- Solution efficacy and effectiveness
- Learning curve
- Productivity increases
- Competency and skill increases
- Peripheral services
- Training
- Personal growth
- Peace of mind

Finally, for influencers, facilitators, and advisors, the main criteria might be:

- Personal recognition
- Personal credibility
- Personal visibility
- Personal influence, power, and control within the organization
- Personal agenda advancement
- Change within the organization
- Return a favor

Assess the Importance of Each Criterion. After listing all possible tangible and intangible benefits that buying center members might obtain from the proposed solution, the KAM should prioritize them, according to their relative importance. Such a process involves weighting criteria,

because not all benefits influence the decision-making process equally. It may be difficult to assess the criteria objectively—especially intangible ones—but it is important to conduct this exercise and look for relevant information.

KAMs may be well aware of the general importance of each criterion; they own the account and have relationships with members of the buying center, so they should know what these members want. However, when an account is new, this appraisal is more challenging, and the KAM likely needs to ask for help, usually from the facilitators and buyers. Moreover, the KAM should validate any insights about these potential criteria and their weights by speaking with users or asking for validation during presentations to deciders.

Assess the Extent to Which Each Criterion Differs from Competing Offers and Determine Relevant Solution. At the account level, to establish a differentiated value position relative to competitors', a solution is *relevant to the customer to the extent the related criterion is important and different.* That is, *relevance* = *importance* × *difference*. A product or solution cannot just invoke interest (i.e., notion of importance); it must also be perceived as clearly different from competitive offers (i.e., notion of uniqueness). For each criterion, the KAM should assess:

- The extent to which the criterion is important.
- The extent to which the criterion is perceived as different.
- The relevance as a product of importance and perceived difference.

For this rating, a 1 to 7 scale can define both importance and perceived difference. First, the KAM takes each criterion and rates it on the continuum from (1) "not important at all" to (7) "very important." Second, again in relation to each criterion, the KAM should rate it on a continuum from (1) "not different at all among competitive offers" to (7) "very different from competitive offers."

Third, the KAM multiplies each importance score with each difference score to derive a score regarding the relevance of each criterion. A criterion that is important because it is of interest to the customer (e.g., importance rating of 6) but not different, because all competitors

provide the same solution (e.g., difference rating of 2) thus would receive a relevance score of 12 (i.e., 6 × 2 = 12). There is little room for differentiation; everybody is suggesting the same solution. Alternatively, a solution might appear very different if few other vendors propose similar solutions in the marketplace (e.g., different rating of 5), but the related criteria are not particularly interesting to the customer, such as when the proposed solution seems too complex to implement (e.g., importance rating of 2). In this case, the relevance score is 10 (i.e., 2 × 5 = 10). If a criterion is important (e.g., pricing, discounts, rating of 6) and different (e.g., various competitors promise different prices and discounts, rating of 6), its relevance score is high (i.e., 6 × 6 = 36). The customer has a true interest in this criterion and does not think that all vendors in the marketplace provide a similar solution. Thus, there is lots of room for differentiation, on something that the customer values, making this opportunity highly relevant (i.e., relevance = importance × difference).

Fourth, the KAM must prioritize all criteria, from the most relevant (e.g., 7 × 7 = 49) to the least (e.g., 1 × 1 = 1), and then leverage those criteria consistent with this ranking when presenting the value proposition and solution to buying center members.

For example, partners of audit firms work with large customers (e.g., publicly traded companies) and may differentiate their account management strategy on multiple criteria such as: (1) the reputation of their brand, (2) their independence, (3) integrity, (4) technical expertise, (5) ability to listen, (6) foresee problems, (7) cooperate, (8) take ownership, (9) provide high quality results, (10) deliver on time, (11) help their customers grow, (12) train them on specific financial, tax, or legal issues, (13) surprise them with unexpected solutions, (14) provide them with experienced teams, (15) provide them with stable teams, and so on. Because it is impossible to be very good on every single criterion and for every single customer, some criteria are more important than others for specific customer segments, while audit firms positioning may differ from one another on each criterion. Thus, understanding the relevant criteria (i.e., important × different) matters to a great deal. Indeed, not only it helps manage large customers per their expectations, but it also impacts audit firm's business models in terms of resource allocation and management (e.g., mission engagement to pursue, fee level, service scope and level to provide, staffing, etc.).

One of the authors helped a large international audit firm identify and prioritize relevant criteria along with critical market segments so the value proposition can be tailored to buying centers' expectations. Interestingly, gaps were found in the market which led to a unique positioning on few specific relevant criteria (among more than 20) for the firm's value proposition. More importantly, three types of customer segments were identified, that is, value dealer, value killer, and value seeker customers, which allowed specific key account development and management strategies for the audit firm's partners and associates.

Gauge Vulnerability on Relevant Criteria and Compensate for These Vulnerabilities. Although the KAM may discover relevant criteria and know which solutions to push in the proposal and selling process, other relevant criteria may create vulnerabilities for this supplier. For example, concerns about political issues may arise for the buying center, competitors might have better access to deciders, or buyers could remain risk averse and unwilling to move forward with a new supplier. In these situations, the KAM must work on the value proposition even further, to make it increasingly relevant. Such efforts likely involve three main strategies for advancing the selling project: (1) changing the perceived importance of a criterion, (2) accentuating the perceived difference of a solution, or (3) relying on the facilitator to help sell the solution internally.

The first strategy—changing the perceived importance of criteria—is viable if the KAM knows, with accuracy, the impact that the proposed solution will have within the buying organization. For example, if the KAM knows that some users do not value the solution's reliability, she or he might assign it a value of 3, but also request time with the buying center to provide an additional demonstration of its benefits or provide a business case or recommendation from another client about how the solution made users' jobs easier.

The second strategy—changing the perceived difference of the solution—is important if competitors also have great products, solutions, or value propositions. Some users might advocate for the solution efficacy or effectiveness of the solutions available from a familiar competitor that has previously supplied the firm. But these assessments might not be accurate in relation to the solution the KAM is currently trying to sell.

To improve the value proposition, the KAM might also offer an explicit comparison of two approaches, clarify the costs of usage better for users, or ask other clients that previously switched from the competitor to recommend the supplier's own solution as preferable.

The third strategy arises when the supplier's value proposition is not the best one, so more support within the buying center is necessary to establish it as a good compromise. In this case, a facilitator is critical. This member of the buying center knows whom to address, whom to leverage, or whom to convince to keep the supplier's offer in the loop. To ensure the solution offers the best compromise, the supplier might need to modify some aspects of the proposal, such as removing some features to lower the price, negotiating payment terms differently to make the offer more appealing, and so on. However, the KAM still wants to establish customer value and sell at the highest hypothetical price, so he or she should strenuously avoid lowering the proposal price for a solution with the same features to make it look less expensive than competitive offers. This strategy will damage the supplier's credibility in the long run, along with its brand equity, making it more difficult later to sustain a strong pricing strategy.

Value Proposition Competitive Checklist

Defining key account customer value also depends on the *hypothetical prices*. As we have noted, with this hypothetical aspect, there are no right or wrong prices at the start. Prices are always a matter of negotiation and mutual understanding pertaining to the provided and received value. Thus the price should reflect the monetary expression of the value the customer seeks. The KAM needs to know how much the customer is willing to pay to obtain the benefits associated with the value proposition.

With the completed analysis of the buying center's decision criteria and expected benefits, the KAM can create a checklist for the value proposition, to ensure its competitive positioning. At this stage, the KAM should consider four prominent yes-or-no questions:

1. Do the customer's needs justify the hypothetical price of my value proposition?

2. Have I developed my value proposition strengths related to my customer's needs enough, relative to my competitors'?
3. Did I demonstrate the benefits of my value proposition sufficiently to key buying center's members to justify its cost?
4. Is my value proposition more expensive than my competitors'?

If the answers to questions 1 through 3 are "No" but the answer to question 4 is "Yes," the KAM has a problem and needs to review the value proposition carefully, as well as develop his or her understanding of the customer's needs further, to gain an improved positioning with the customer. That goal means that the KAM likely needs to return to the buying center members' criteria and proceed through the four steps again, to identify the weaknesses of the value proposition. Some weaknesses might stem from the KAM's inability to recognize shifts in the perceived importance of a criterion or accentuate the perceived difference of the proposed solution. Other weaknesses may relate to challenges in finding sufficient or appropriate support from an internal facilitator. After identifying all possible weaknesses, the KAM also needs to gather support from his or her own selling center.

As we saw in Chapter 1, organizing the selling center around the expectations and needs of the buying center also is key to create buyer–seller fit, including shared values, strategic fit, operational fit, and personal fit. The objective is to reinforce the impact of the provided benefits, which match the buying center's needs. At this stage, it may be important to leverage a key resource of the selling center, such as the input of the key account sponsor and/or executive from the supplier, depending on the strategic importance of the deal.

Another option is to strengthen the firm's competitive strategy, to surpass a main competitor's offer and value proposition. To this end, the KAM must understand exactly what makes a competing proposal more appealing. A reverse engineering approach may be necessary, to discern exactly how the competitor's solution better matches deciders', buyers', users', influencers', or facilitators' expectations. In association with this analysis, the KAM needs to identify the main competitor's weaknesses too. With this information, the KAM can either improve the value

proposition by leveraging additional resources from the selling center or seek to modify the customer's perceptions of the perceived importance and difference associated with the competitive offer. We do not mean to imply in any way that KAMs should criticize or bad mouth competitors' offers; such tactics often irritate customers and even push them to come to the competitor's defense. Instead, by investigating the potential negative consequences of adopting the competition's solution with the customer, the KAM can present informed business cases or analyses of the potential side effects, rather than relying on rumors, gossip, or subjective impressions. The overall approach is to remain professional and position the investigation as a search for the best solution for the customer. Because all buying center processes involve uncertainty, the implicit objective is to rebalance or transfer perceived risks, at the expense of the competitor's value proposition.

It is also important to note that customers' attitudes toward suppliers' prices, and KAMs' ability to sell their value proposition, also depend on the connections they enjoy and have established within the account. That is, recalling the buyer-seller diamond connections described in Chapter 2 (and Figure 2.7), transactional connections or consultative connections are likely to create customers willing to challenge the supplier's value (and price). However, transformative connections lead to customers willing to recognize the supplier's value (at the proposed price) because of strong, trustworthy, and embedded business relationships between the KAM and the client. In this case, what the KAM provides is seen as being both very important and different, thus extremely relevant, in regard to alternative competitive offerings. This again stresses the importance for the KAM to move up his or her connections—from transactional to transformative—within the customer account. It also reveals how sound key account management programs and strategies can fulfill unrealized potential value (UPV) and open spaces for the sake of both buyers and sellers.

When the value proposition has been sold successfully to the key account, the KAM always needs to look for new opportunities with this account, especially if the customer has been characterized as an undeveloped or desirable account during the portfolio analysis.

From Key Account Development to Market Leadership

Developing and Growing Key Accounts

Because key accounts are so complex, their management entails uncertainty and unpredictability, and they demand substantial work and engagement from the KAM. Furthermore, every SCAP and KAMP involves different moments and stages of a cycle, which may have important impacts on the KAM's morale and motivation, as they move through four main phases:

- Excitement phase
- Investment phase
- Long tunnel phase
- Depressive or productive phase

The *excitement phase* coincides with a feeling of enthusiasm and eagerness, sparked by the discovery and initiation of a new SCAP and KAMP. During this phase, the KAM is kicking off a new project and seeking new opportunities. He or she explores the buying center, builds a strategy, and starts to mobilize the selling center, which echoes his or her excitement. Although the SCAP and KAMP represent a challenge, in terms of project management, everything still seems possible, especially if a facilitator is already on board.

During the *investment phase*, the KAM engages in creating and managing the buying center members' expectations and starts building the value proposition. In addition, during concerns management, the KAM identifies some challenges but also investigates and finds potential solutions. Opportunities management thus arises too, such that the KAM must invest additional effort and resources to pursue them. The collaboration with the facilitator likely is in full swing, and the KAM has received a great deal of support from the selling center.

The *long tunnel* phase corresponds to the delivery and revision of multiple proposals for the buying center. The KAM likely participates in lots of SCAP and KAMP meetings and presentations, while working to leverage multiple stakeholders inside and outside the buying center, yet the decision-making process seems not to progress at all. Competitors also

enter interesting proposals and seek to advance their strategy at all costs. The KAM attempts to use relevant vulnerability strategies (e.g., changing perceived importance, accentuating perceived difference, leveraging the facilitator to sell the solution internally) and also tries to get a "Yes" response to question 4 on the value proposition competitive checklist. All these efforts demand substantial time and effort, but the level of uncertainty for the KAM remains high.

Finally, the *depressive or productive* phase depends on how the project advances. If it seems to stall, the KAM no longer recognizes the potential return on his or her SCAP or KAMP investment and instead regards further efforts as opportunity costs, relative to the time she or he could have spent on other accounts. This is a *depressive phase*. To mitigate its harmful effects, a proper portfolio analysis should establish which accounts deserve investments, regardless of how the SCAP and KAMP evolve. Such an analysis may help the KAM understand that he or she is not wasting time or energy, because the targeted account has been characterized as undeveloped or desirable. In contrast, if the progress of the project is good and forward-looking, the KAM likely enters a *productive* phase and identifies valuable outcomes and opportunities for both the selling center and the buying center.

Upon emerging from these four phases, the KAM needs to rededicate his or her endeavors to growing the account further—especially if a depressive phase leads to a suboptimal sales deal. The account still remains of strategic importance to the supplier. We recommend three ways to grow the key account and improve relationships with their customers, which we call the 3E:

1. Enhance account penetration
2. Expand account penetration
3. Extend account penetration

Enhancing account penetration means looking for ways to improve the products or services offered to the customer, in response to a recognition that the current situation with the customer is suboptimal. Imagine, for example, that a proposal needed to be halted, and some features of the ideal solution had to be removed due to budget constraints. In this case, the KAM should revisit the buying center with an additional proposal,

after the customer has implemented the first, suboptimal solution, and highlight the remaining opportunity costs of not enhancing the solution with the new proposal. If Xerox only sold 50 copiers to a customer, when the initial plan was to cover all of this customer's departments by providing 150 copiers, the KAM might come back later to highlight the struggles of the 100 departments that did not receive new copiers and recommend enhancing the chosen solution.

By *expanding* account penetration, the supplier leverages established relationships to encourage the customer to buy and add new products, beyond those already purchased. If the customer already knows and trust the supplier, it should be more inclined to buy new product lines from it too. In our Xerox example, the customer who has purchased copiers from the KAM also might be willing to consider replacing the company's Canon printers with Xerox models.

Extending account penetration implies a diversification of the alliance with the customer, accompanying its growth, by finding new, collaborative business activities. The partners might decide to explore and develop new technologies and products conjointly, for example. Extending means adding solutions that are new to both the customer and the supplier. For example, when a Xerox customer needed help managing its enterprise content, they started to build new business activities together, which benefitted its customers but also Xerox's own growth.[53]

Although enhancing and expanding accounts are KAMs' responsibilities, extending the business with large customers usually involves more key stakeholders from the selling center. This approach to growth implies more strategic business alliances, so the supplier's senior executives must be engaged to develop relationships with the customers' senior executives. The strategic projects of both firms get decided at this level, so the executives holding these positions must collaborate. This effort is in line with buyer–seller fit forms of value creation, such that both parties seek common avenues for strategic development in areas where their capabilities are complementary and leveraged.

Growing a key account thus depends on the KAM's ability to develop his or her presence within the account, as well as encourage the customer to explore new horizons with the supplier. Such opportunities rely on the vendor's ability to lead and coach large customers.

Leading and Coaching Large Customers

A KAM is like an orchestra conductor. He or she must identify the roles of the buying center stakeholders, that is, which music they will be playing. Then the KAM needs to reconcile multiple perspectives across the buying center and the selling center, or how they interpret the music on the page. Next, he or she needs to lead the SCAP and KAMP, making sure interface alignment, connections alignment, sales process alignment, project management, expectations management, concerns management, opportunities management, and choices management blend together in harmony, fulfilling both the customer's and the supplier's needs, to ensuring that the audience enjoys the music being played. Therefore, the KAM as a conductor must behave as the leader who coaches each key stakeholder to gain the maximum benefits from their contribution and harmonize the final outcome. As mentioned in Chapter 1, this is why we believe KAMs should possess fundamental dispositions such as strong negotiation abilities, interpersonal intelligence (people smart), leadership skills, and drive.

The reason it is helpful to present KAMs as a leader, coach, or conductor is that members of organizations pursue their self-interests, along with the organization's. To some extent, their self-interest understandably is more important to them than their organization's goals. This conflict reflects the classical problem in organizational research related to employees' citizenship behaviors. The organization usually does not belong to employees, yet they do their job as well as they can, while also managing internal relationships and politics. In this regard, the intangible criteria that determine buying decisions are just as important, if not more so, as tangible ones. Following our very definition of key account customer value, large customers have various needs and intangible benefits in mind that they expect the supplier to understand and satisfy. In turn, the KAM should devote particular attention to individual interests. For example, buyers could prefer a product that is more expansive than competitive options for equivalent value, because of the deciders', facilitators' or dominant advisors' will, the specific relationships they have with the supplying vendor, or other factors.

In line with the concept of developmental coaching—which represents the effort to develop employees' abilities so that they can reach their own goals—the KAM must attain a clear understanding of selling center

and buying center members' personal goals, interest, and intangible benefits. By leveraging his or her relationships within the buying center and the selling center, the KAM can help the members achieve their goals. A buying center reaches agreement with a KAM only if its members meet their goals. To coach the buying center in this direction, the KAM must ask four questions related to buying center members:

1. Does this member have a favorable or unfavorable attitude toward my value proposition?
2. What individual and organizational needs (states of tension) is this person trying to address (reduce)?
3. What constraints prevented this person from addressing these individual and organizational needs (states of tension) previously?
4. How can I help this person overcome these constraints to fulfill his or her individual and organizational needs (eliminate these states of tension) and grow?

These questions thus are oriented toward buying center members and not KAMs. KAMs cannot force them to advance the solution they prefer. Rather, their goal should be to understand how the solution fits each buying center member's goals. A critical part of the KAM's role is to understand how the value proposition fulfills a buying center member's goals and interests.

When a buying decision reaches the procurement department of an organization, it already has been decided and budgeted by the deciders, so the KAM's ability to fit with the buying center's expectations faces greater challenges. Maintaining and leveraging established relationships within the account is of critical importance for predicting what customers plan to purchase, how the KAMP should look, and what types of coaching need to be pursued and with whom. Such an anticipatory approach will make the KAM's job easier, reduce the potential for negative surprises, and lead to a more straightforward KAMP along the way.

The best way to avoid coaching difficulties during the sales process is for the KAM to COACH, that is

- *Collaborate* in relation to the requests for proposal
- *Oversee* the buying process as much as possible

- *Anticipate* the customer's needs as much as possible
- *Communicate* the selling points for the value proposition as much as possible
- *Help* the buying center's members achieve their goals

The KAM also has two other critical leadership responsibilities when coaching large customers:

1. Triangulate information
2. Hit the gavel

When the KAM *triangulates information*, she or he cross-validates every piece of important or contradictory information received from the buying center members. Most organizations function as silos, containing individuals with multiple perspectives, problems, and needs, so each source might provide different information to the KAM. Understanding exactly what is true or untrue, by soliciting opinions from multiple members of the buying center thus is key to the ultimate quality of the proposal and the success of the sales process.

Hit the gavel means that the KAM takes a refereeing position at the customer–supplier interface. Because all the individual participants have personal, intangible interests, buying situations frequently become subjective and emotional. The KAM can reduce the temperature of the debates, both inside and across the buying center and the selling center. At some point, he or she will have to hit the gavel, whether by telling buyers that they have the final, best proposal at hand; calling on deciders to get them to overcome defensive attitudes in the buying center that could jeopardize the project; or requesting that the senior executives of his or her company signal their own clear commitment to moving forward and accepting customer requests as prerequisites of completing the sales deals. As Peter Löscher, the CEO of Siemens AG, has put it:

> *Siemens' global leadership in Account Management is no accident. It is the result of hard work by a dedicated team of professionals fully supported by our Company's top management!*

Chapter 4: Summary and Key Points

1. Key accounts portfolio analyses help decide which key accounts to (a) maintain at the same level of commitment and relationship, (b) increase the level of commitment and relationship, (c) reduce the level of commitment and relationship, or (d) cease the level of commitment and relationship.
2. Key account and marketing managers should work together to conduct portfolio analyses, since the relevant criteria are both objective and subjective.
3. By assessing the strategic importance and difficulty of managing an account, KAMs can characterize customers as key difficult, non-key difficult, key easy, or non-key easy. By assessing their present profit contribution and potential profit contribution, KAMs can characterize customers as undeveloped accounts, desirable accounts, undesirable accounts, or developed accounts.
4. To deliver value, KAMs should clearly recognize buying center members' criteria and needs by (a) identifying the tangible and intangible criteria on which they base their decisions, (b) assessing the importance of each criterion, (c) determining the extent to which the suggested solution differs from competing offers and finding the relevant criteria, and (d) gauging vulnerabilities on the relevant criteria and compensating for these vulnerabilities.
5. At the account level, to differentiate the supplier's own value proposition from competitors', a criterion and solution is *relevant* to the customer if it is important and different (relevance = importance × difference).
6. To gauge and compensate for relevant vulnerabilities, the KAM can (a) change the perceived importance of a criterion, (b) accentuate the perceived difference of a solution, or (c) leverage the facilitator to sell the solution internally.
7. A value proposition competitive checklist should consist of four questions: (1) Do the customer's needs justify the hypothetical price of my value proposition? (2) Do the strengths of my value proposition better meet my customer's needs than my competitors'? (3) Have I sufficiently demonstrated the benefits of my value

proposition to justify its cost? (4) Is my value proposition more expensive than my competitors'? If the answers to the first three questions are negative but the answer to the last question is positive, the KAM needs to position the value proposition better.

8. KAMs usually go through four phases when managing and developing their accounts: (i) excitement, (ii) investment, (iii) long tunnel, and (iv) depressive or productive.
9. KAMs can grow their accounts by applying the 3Es: (i) enhance account penetration, (ii) expand account penetration, or (iii) extend account penetration.
10. The acronym COACH in key account management settings means: *Collaborate* in requests for proposals, *Oversee* the buying process, *Anticipate* customers' needs, *Communicate* the value proposition's selling points, *Help* the buying center members achieve their goals. In addition, KAMs should always triangulate information and hit the gavel to make sure they remain in charge of the sales project.

Conclusion

Because a picture is worth a thousand words, we conclude this book on key account management introducing our last framework named SCK (the integration of SCAP-CAR-KAMP) (see Figure 4.3). Interestingly, SCK can be easily remembered since it stands for *Secure the Customer Kingdom.*

When it comes to key accounts, using a kingdom metaphor for a large customer seems natural. In fact, it makes sense for a supplier serving a key account to secure such customer not only by erecting entry barriers for competitors, but also by making the customer feel safe with the KAM. We believe SCK defines what key account management is about for complex and dynamic companies.

First and by definition, *kingdom* refers to a state or government having a king or queen as its head. From a broader perspective, kingdom also means a realm or a sphere where one thing is dominant (e.g., the kingdom of science). Interestingly, in biology, kingdom refers to the second highest taxonomic rank (below domain, and before phylum, class, order, family, genus, and species) grouping together all forms of life having certain fundamental characteristics in common (e.g., animals, plants). Assuming that large customers also are noble, precious, and unique, the kingdom concept applies very well to the realm of key accounts where the search for value should be the dominant concern for KAMs and buying center members who also represent a taxonomic group of highest importance.

From the supplier standpoint, the SCAP depicts a simple, yet relevant approach to devote attention to key accounts. Its meaning, the Selling Center Alignment Process, shows how important it is for successful key account programs. We stressed the importance of *alignment* in SCAP, and made such effort critical in regard to *interfaces, connections,* and *sales process alignment*. KAMP also exemplifies a pertinent approach to serve key accounts, from the customer standpoint. Likewise, its meaning, the Key Account Management Process, shows how important it is for successfully managing customer relationships. We emphasized the role of *management*

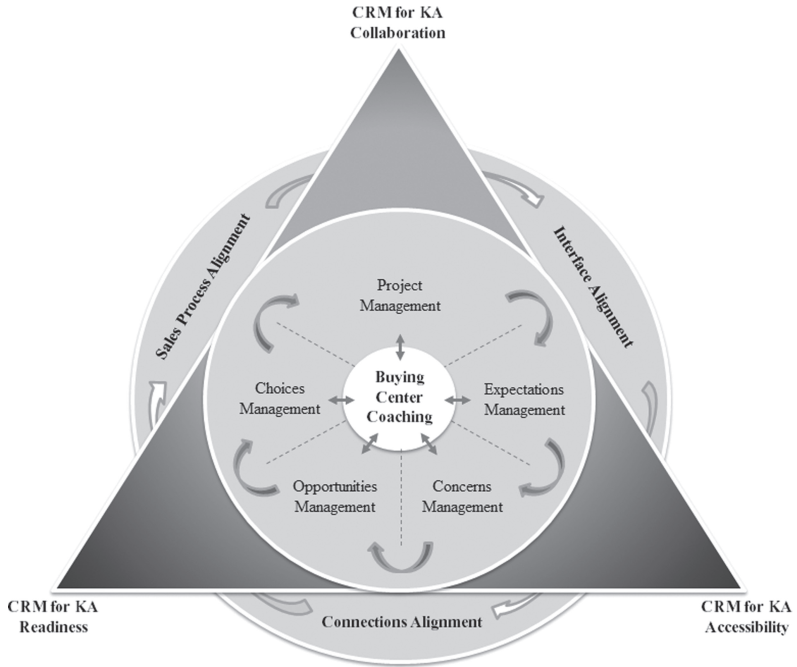


Figure 4.3. Integrating SCAP, CAR, and KAMP for Key Account Management

in KAMP and directed such effort to *project, expectations, concerns, opportunities,* and *choices* to coach buying centers' members adequately. Last, but certainly not least, the CAR makes the CRM technology the integrated backbone of *collaboration, accessibility,* and *readiness* in key account management for the purpose of efficient customer data, information, and knowledge management.

Second and also by definition, *secure* means to protect from risks, threats, and danger or to make safe, to fortify, and to strengthen. Recalling that KAMs' very mission is to manage uncertainty and unpredictability surrounding key accounts and buying centers, we fully understand why *Secure the Customer Kingdom* makes sense. To accomplish this, an efficient use of CRM technology is critical since it significantly increases the competitive barriers while providing a competitive advantage to suppliers. In addition, KAMs' ability to build and grow buyer-seller connections up to transformative ones is likely to sustain their value to large

customers. However, the KAM's know how in SCAP, KAMP and CAR would not alone strengthen key account programs success without the particular attention and supporting ambition of top executives.

Indeed, key accounts are too important customer kingdoms to be left to KAMs only!

Biographies

Joël Le Bon is a Marketing Professor at the University of Houston, C.T. Bauer College of Business, where he also serves as the Director of Executive Education for the Sales Excellence Institute. He received a Bachelor of Arts in Management Science, a Master of Science in Marketing and Strategy, and a PhD in Marketing from the University of Paris Dauphine. He is also an alumnus of the Kellogg ITP program of Northwestern University and was a Postdoctoral Scholar at the Pennsylvania State University within the Institute for the Study of Business Markets (ISBM). Prior to joining the University of Houston, Joël Le Bon was an Associate Professor of Marketing at ESSEC Business School in both Singapore and Paris where he also served as the Marketing Department Chair. Before joining academia, he was a Strategic Account Manager for XEROX in France, and had sales and sales management roles in the media industry where he won several all-time sales awards. His research focuses on the contribution of the sales force to competitive intelligence activities, increasing salespeople's performance and luck, customer satisfaction analysis and measurement, the marketing and relational aspects of trade credit and customer payment, and after-sales services and brand management. His work has been published by *the Harvard Business Review Online, the Journal of the Academy of Marketing Science, the International Journal of Research in Marketing, the Journal of Personal Selling and Sales Management, and Industrial Marketing Management* among other academic journals. He is the author of the book *Competitive Intelligence and the Sales Force: How to Gain Market Leadership Through Competitive Intelligence* published by Business Expert Press. He was selected as the winner of the American Marketing Association (AMA) Best Doctoral Dissertation Award in the Sales and Distribution Area. He has also received several academic distinctions for his research including best paper awards from the AMA, the National Conference in Sales Management (NCSM), the Society for Marketing Advances (SMA), the

Global Sales Science Institute (GSSI), the French Marketing Association (AFM), and the French National Foundation for Management Education (FNEGE). His teaching leverages his rich international background and experience and covers topics such as marketing and sales strategy, brand management, customer relationship management, sales leadership and management, advanced professional selling, negotiation, and pricing strategies. He consults on marketing and sales strategy, CRM sales technology, and business development for key accounts, and has directed numerous Executive Education Programs internationally for companies such as 3M, Accor, Arthur D. Little, BASF, DHL, Essilor, Eiffage, Groupama, Hanglas, IBM, Mazars, Renault-Nissan, Orange, Rogers, Samsung Motors, Schlumberger, Sodexo, and Thales, among others. He received the University of Houston C.T. Bauer College of Business Wayne & Kathryn E. Payne Excellence in Teaching Award. He is the first French winner of the IBM Faculty Award, and the first international professor awarded the AMA's Prentice Hall Solomon-Marshall-Stuart Best Teacher Award for Innovative Excellence in Marketing Education. He has lived and worked in Europe, Asia, and the United States, and was born in the island of Mauritius (Indian Ocean).

Carl A. Herman has over 30 years of experience in High Tech sales, Key Accounts sales, and in senior sales management. He earned a Bachelor of Arts degree in Economics from the Colorado College, and a Master in Business Administration from Southern Methodist University. He has held sales and sales executive positions for five high technology companies: Unisys, Oracle, Siebel Systems, KPMG Consulting, and Landmark Graphics, a Halliburton Company. At Oracle Corporation, he was one of the three co-managers that started Oracle Energy, the first industry focused sales organization at Oracle. Oracle Energy was unique in having responsibility for product development and support as well as marketing, sales, and implementation. Earlier at Oracle, he grew Texaco into the company's largest corporate account and became Oracle's first Global Account Executive with worldwide responsibility for only one account at Texaco Corporation. At Halliburton's Landmark Graphics Divsion he was Vice President of Sales for US Multinational Oil Companies. He led a team of 110 sales and geoscience professionals dedicated to Halliburton's

largest and most strategic accounts. In his first year the team increased annual operating profit 80 percent. They accomplished this by implementing innovative strategic account selection and global management processes and a new incentive compensation plan. These major organizational changes at Halliburton created successful customer–supplier relationships with some of the world's largest corporations. As a Senior District Manager at Siebel Systems, he took over a team responsible for one of Siebel's largest accounts, SBC Corporation. His team worked with Siebel to increase executive involvement and improve usability of Siebel CRM, which resulted in high adoption and use. In less than one year Siebel CRM became an indispensable part of SBC's sales process. And, his team sold Siebel Partner Relationship Management (PRM) to integrate SBC's key channel sales partners in SBC's CRM system. Prior to becoming a full time member of the Bauer College of Business faculty in June 2005, he served for 6 years as an Adjunct Professor in the Program for Excellence in Selling. Currently he teaches Strategic Selling in the Bauer College of Business' MBA program, as well as a number of undergraduate courses in the Program for Excellence in Selling, including Advanced Professional Selling, CRM, and Key Account Management. In addition, he also conducts courses in Key Account Management and CRM for Executive Education clients.

References

1. Workman, J., Homburg, C., & Jensen, O. (2003). Intraorganizational determinants of key account management effectiveness. *Journal of the Academy of Marketing Science 31*, 3–21.
2. Capon, N. (2001). *Key account management and planning*. New York, NY: Free Press.
3. Marque, F., & Chebboub, M. (2011). Rethinking key account management: Adapting and refining your sales organization's response to the new realities. *Accenture*, 8 p.
4. Capon (2001).
5. *Fortune Magazine*. www.fortune.com. Accessed on October 25, 2014.
6. Inside dell: The secrets of its supply chain success.www.reliableplant.com/Read/7129/dell-supply-chain. Accessed on October 25, 2014.
7. Conversation with the authors.
8. Peppers, D., & Rogers, M. (2004). *Managing customer relationships: A strategic framework*. Hoboken, NJ: John Wiley & Sons.
9. Peppers & Rogers (2004).
10. Peppers, D., & Rogers, M. (2005). *Return on customer: Creating maximum value from your scarcest resource*. New York, NJ: Doubleday.
11. Bunkley, N. (2008). Joseph Juran, 103, pioneer in quality control, dies. *The New York Times.* March 3.
12. Capon (2001).
13. Hart, C., Heskett, J., & Sasser, E., Jr. (1990). The profitable art of service recovery. *Harvard Business Review 68*, 148–156.
14. http://returnonbehavior.com/2010/10/50-facts-about-customer-experience-for-2011. Accessed on October 25, 2014.
15. 2013 Statistics Productions Statistics. *OICA*. International Organization of Motor Vehicle Manufacturers.
16. Gupta, S., Lehmann, D., & Stuart, J. (2004). Valuing customers. *Journal of Marketing Research 41*(February), 7–18; Reinartz, W., & Kumar, V. (2003). The impact of customer relationship characteristics on profitable lifetime duration. *Journal of Marketing 67*(January), 77–99.
17. Richards, K., & Jones, E. (2009). Key account management: Adding elements of account fit to an integrative theoretical framework. *Journal of Personal Selling and Sales Management 29*(4), 305–320.
18. Schein, E. (2004). *Organizational culture and leadership*. New York, NY: John Wiley & Sons.

19. Haenlein, M., & Kaplan, A. (2009). Unprofitable customers and their management. *Business Horizons 52*(1), 89–97.
20. Werner, R., & Kumar, V. (2002). The mismanagement of customer loyalty. *Harvard Business Review 80*(7), 4–12.
21. Webster, F., & Wind, Y. (1972). *Organizational buying behavior*. Englewood Cliffs, NJ: Prentice Hall.
22. Hutt, M., Johnston, W., & Ronchetto, J. R., Jr. (1985). Selling centers and buying centers: Formulating strategic exchange patterns. *Journal of Personal Selling and Sales Management 5*(1), 32–40; Moon, M., & Forquer Gupta, S. (1997). Examining the formation of selling centers: A conceptual framework. *Journal of Personal Selling and Sales Management 17*(2), 31–41; Spekman, R., & Johnston, W. (1986). Relationship management: Managing the selling and buying interface. *Journal of Business Research 14*(December), 519–531.
23. Capon (2001).
24. Rackham, N., & DeVincentis, J. (1999). *Rethinking the sales force*. New York, NY: McGraw-Hill.
25. Johnston, M., & Marshall, G. (2011). *Churchill/Ford/Walker's sales force management*. New York, NY: McGraw-Hill Irwin.
26. Senn, C., Thoma, A., & Yip, G. (2013). Customer-centric leadership: How to manage strategic customers as assets in B2B markets. *California Management Review 55*(3), 27–33.
27. Webster & Wind (1972); Sheth, J. (1973). A model of industrial buying behavior. *Journal of Marketing 37*(4), 50–56.
28. Webster & Wind (1972).
29. Sheth (1973).
30. Johnston, W., & Lewin, J. (1996). Organizational buying behavior: Toward an integrative framework. *Journal of Business Research 35*(1), 1–16.
31. Le Bon, J. (2015). A customer lifetime value approach to key account portfolio analysis. *Unpublished working paper*.
32. Ryals, L., & Rogers, B. (2006). Holding up the mirror: The impact of strategic procurement practices on account management. *Business Horizons 49*(1), 41–50.
33. Richards & Jones (2009).
34. Le Bon, J. (2014). *Competitive Intelligence and the Sales Force: How to Gain Market Leadership through Competitive Intelligence*, New York, NY: Business Expert Press.
34. Bluewolf Consulting. *The State of Salesforce 2014–2015.*
35. Thompson, E. (2013). Use Gartner's CRM application functionality starfish to evaluate your CRM requirements. *Gartner Research* June.
36. Rackham & DeVincentis (1999), p. 163.

37. Cheverton, P. (2008). *Global account management: A complete action kit of tools and techniques for managing key global customers*. London: Kogan Page.
38. Cheverton (2008).
39. Buttle, F. (2004). *Customer relationship management: Concepts and tools*. Oxford: Butterworth-Heinemann.
40. Jones, E., Stevens, C., & Chonko, L. (2005). *Selling ASAP: Art, Science, Agility, Performance*. Mason, OH: Thomson/South-Western.
41. Thompson, E. (2013). Eight building blocks of CRM: A framework for success. *Gartner Research* December.
42. Ibid.
43. Booz Allen Hamilton. (2004). The customer-centric organization: From pushing products to winning customers. *Booz Allen Hamilton*, 4 p.
44. Thompson (2013).
45. Jones, E., Sundaram, S., & Chin, W. (2002). Factors leading to sales force automation use: A longitudinal analysis. *Journal of Personal Selling & Sales Management 22*(3), 145–156.
46. Zmud, R., & Apple, L. (1992). Measuring technology incorporation/infusion. *Journal of Product Innovation Management 9*(2), 148–155.
47. Hagemeyer, D., & Nelson, S. (2003). Gartner management update: CRM success lies in strategy and implementation, not software. *Gartner Research* December.
48. Desisto, R. (2014). Eight building blocks of CRM: A framework for success. *Gartner Research* December.
49. Fiocca, R. (1982). Account profitability analysis for strategy development. *Industrial Marketing Management 11*, 53–62.
50. Dubinsky, A. & Ingram, T. (1984). A portfolio approach to account profitability. *Industrial Marketing Management 13*, 33–41.
51. Ibid.; Le Bon, J. (2008). Understanding and assessing the power of the sales organization in accelerating customers' payment delay. *AMA Summer Educators' Conference Proceedings*, August, San Diego, USA; Shapiro, B., Rangan, V., Moriarty, R. & Ross, E. (1987, September–October). Manage customers for profits (Not Just Sales). *Harvard Business Review 63*(5), 101–108; Yorke, D. & Droussiotis, G. (1994). The use of customer portfolio theory. *Journal of Business & Industrial Marketing 9*(3), 6–18.
52. Ibid.
53. See http://www.xerox.com/#enterprise-document-management. Accessed on October 25, 2014.

Index

Accessibility, 95
Account concentration, increasing, 3
Account fit, 20–22
Administrative leaders, 30
Advisors, 50–51, 52, 82
  criteria and needs, identifying, 125
Affordable Care Act, 81
Alarm system, 65
Amazon, 102
Apple, 5, 6

Back-to-business (B2B) relationships, 2, 3, 6, 10, 12, 13, 23
Back-to-consumer (B2C) relationships, 23
BP, 5
Bridgestone, 19
Buyers, 46–47, 52, 77–79
  criteria and needs, identifying, 124–125
Buyer–seller diamond connections
  consultative connections, 86
  transactional connections, 85–86
  transformative connections, 86–87
Buyer–seller fit, 72–73
Buying centers
  coaching, 69–70
  decision-making process, 47–48
  defined, 45–46
  members' criteria and needs, identifying, 123–129
    criterion importance, assessment of, 125–126
    gauge vulnerability, 128–129
    offers and solution, 126–128
    tangible and intangible decision-making criteria, 123–125
  members, roles of, 46–47, 52
  to relational state, moving, 76–87
  situational state of, diagnosing, 75–76
  stages and behavior of, 48–49

CABS leads qualifying checkpoints, 66–67
Chevron, 4, 5, 33–35, 103
Choices management, 68–69
Coaching
  developmental, 135
  difficulties during sales process, avoiding, 136–137
  large customers, 135–137
Coca Cola, 110
Collaboration, 94–95
  Complex sales, 62, 63, 64, 67, 74
Concerns management, 64–66
Connections alignment, 39–41
Contributors, 30–31
Core transactional measures, 72
Critical success factors (CSFs), 35, 36
Cross selling, 8
Cultural fit, 21
Culture, defined, 21
Customer lifetime value (CLV), 8, 9, 20
Customer relationship management (CRM)
  account's health, 101–102
  building blocks of, 108–109
  Collaboration, Accessibility, Readiness (CAR) triangle, 94–97
  collaborative technology, 89–94
  infusion of, 109
  push opportunities, 97–98
  routinization of, 109
  sales opportunities, 98–101
  successful for selling center, making, 108–110
Customers
  gaining, 12–13
  growing, 13–17
  large, leading and coaching, 135–137
  loyalty, 23–24
  profitability, 23–24

retaining, 13
value, defined, 123

Deciders, 47, 52, 83–84
criteria and needs, identifying, 124
Dell, 5, 6, 102
Developmental coaching, 135

eBay, 102
Ecolab, 19
80/20 rule. *See* Pareto principle
Engineering
value creation by technology, 105–106
Expectations management, 63–64
ExxonMobil, 5, 21, 22, 33–35, 103

Facilitators, 51, 52, 82
criteria and needs, identifying, 125
Financial systems integration
value creation by technology, 105
Firestone, 19

Gatekeepers, 47, 52, 76–77
GE Finance, 110
General Motors, 4
Geographic leaders, 29
Good buddy, 83
Google, 19
Grainger, 6, 30, 102

Halliburton, 104
Hilton, 19
Honeywell, 110

IBM, 6, 26
Influencers, 47, 52, 82
criteria and needs, identifying, 125
Information awareness, 98
Information providers, 82–83
Infusion, 109
Inner salesperson, 83
Interface alignment, 38–39

Key account customer value
defined, 70–71
expectations and attributes of, 71–74
Key account executive, 26
Key account management (KAM)
defined, 1
developing and growing, 132–134
difficulties associated with managing, 117–118
effectiveness, defined, 1
historical trends of, 2–7
strategic importance of, 116–117
strategy, case for, 10–11
technology, expanded use of, 5
Key Account Management Process (KAMP)
choices management, 68–69
components of, 60
concerns management, 64–66
customer portfolio, 55–58
expectations management, 63–64
opportunities management, 66–68
project management, 61–63
as strategic reflection, 53–55, 80
as tactical execution, 58–60
Key account managers, 26–28
Key accounts, criteria for identifying
account fit, 20–22
customer lifetime value, 20
relationship method, 22–24
size of, 18–19
strategic importance of, 19
unrealized potential value, 20
Key account sponsor, 26

Landmark Graphics, 33–35, 103, 104
Large customers, leading and coaching, 135–137
Law of the Vital Few. *See* Pareto principle
Leaders, 28–30
administrative, 30
geographic, 29
subject matter, 29
supply chain, 29–30

Managing director, 26
Microsoft, 6
Motorola, 4

Net present value (NPV), 8
Nippon Steel, 19

Open Space analysis, 14–17, 35–36, 97–98, 122
Operational fit, 21
Opportunities management, 66–68

Pareto principle, 9–10
Perceived risk, 49
Portfolio analysis, 115–122
Potential profit contribution, 119, 120
Power zones, 75
Present profit contribution, 119, 120
Process measures, 72
Proctor and Gamble (P&G), 5
  collaboration with 3M, 32
  collaboration with Wal-Mart, 6, 13
Procurement process
  changes in, 4–5
  rising importance of, 3–4
Product development
  value creation by technology, 105–106
Project
  control, 62–63
  execution, 62
  initiation, 61
  management, 61–63
  objectives, 61
  planning, 61–62
Push opportunities, 97–98, 106

Readiness, 95–96
Receptiveness zones, 75
Relationship method, 22–24
Request for information (RFI), 6
Request for proposal (RFP), 6, 33
Role ambiguity, 49
Role conflict, 49
Routinization, 109

Salesforce.com, 23, 90, 110
Sales opportunities, 98–101
Sales process alignment, 41–43
Secure the Customer Kingdom (SCK), 162, 163
Seller–buyer relationships, 5
Selling center
  building, 24–43
  CRM successful for, making, 108–110
  members and roles
    contributors, 30–31
    leaders, 28–30
    senior management, 25–28
  organization of, 32–37
Selling Center Alignment Process (SCAP), 37–43, 84, 95, 110, 135
  connections alignment, 39–41
  interface alignment, 38–39
  sales process alignment, 41–43
Senior management, 25–28
Service measures, 72
Shell, 21
Siemens, 74
Southwest Airlines, 5
Strategic fit, 21
Subject matter leaders, 29
Supply chain integration
  value creation by technology, 105
Supply chain leaders, 29–30
Supply chain process
  changes in, 4–5
Sysco Foods, 19

Technology
  collaborative, 89–94
  to create value at boundary, 102–105
  engineering, 105–106
  financial systems integration, 105
  for key account management, expanded use of, 5
  product development, 105–106
  supply chain integration, 105
  value co-creation, 105–106
Texaco, 22
Threat zones, 75
3M
  collaboration with P&G, 32

Unrealized potential value (UPV), 8–9, 14, 20, 131
Up-selling, 8

Users, 46, 52
criteria and needs, identifying, 125
implied and explicit needs, 79–80
problems, identification and assessment of, 79
US Steel, 19

Value co-creation, 9, 105–106
Value, defined, 70
Value delivery
key accounts for, diagnosing, 74–76
buying center to relational state, moving, 76–87
situational state of buying center, diagnosing, 75–76
Value proposition competitive checklist, 129–131

Wal-Mart, 5
collaboration with P&G, 6, 13
Westin, 19
Whirlpool, 19
Wuhan Steel, 19

OTHER TITLES IN OUR SELLING AND SALES FORCE MANAGEMENT COLLECTION

Buddy LaForge, University of Louisville and Thomas Ingram,
Colorado State University, Collection Editors

- *Sales Technology: Making the Most of Your Investment* by Nikolaos Panagopoulos
- *Effective Sales Force Automation and Customer Relationship Management: A Focus on Selection and Implementation* by Raj Agnihotri and Adam Rapp
- *Customer-Oriented Sales Management Practices: Text and Cases* by Ramendra Singh
- *Sales Force Ethical Decision Making: A Guide for Sales Professionals* by Lawrence Chonko and Fernando Jaramillo
- *Competitive Intelligence and the Sales Force: How to Gain Market Leadership Through Competitive Intelligence* by Joël Le Bon
- *Lean Applications in Sales: How a Sales Manager Applied Lean Tools to Sales Processes and Exceeded His Goals* by Jaideep Motwani and Rob Ptacek
- *Improving Sales and Marketing Collaboration: A Step-by-Step Guide* by Avinash Malshe and Wim Biemans
- *Creating Effective Sales and Marketing Relationships* by Kenneth Le Meunier-FitzHugh and Leslie Carolina Le Meunier-FitzHugh

FORTHCOMING BOOKS

- *A Guide to Sales Management: A Practitioner's View of Trade Sales Organizations* by Massimo Parravicini
- *Managing and Conducting Sales as a Project: Synergies Between Sales Methodologies and Project Management Techniques* by Richard Owen
- *Transformational Sales Negotiation: How to Make a Difference With and For the Customer* by Joël Le Bon
- *Entrepreneurial Selling* by Vincent Onyemah
- *Selling: The New Norm: Dynamic New Methods For a Competitive and Changing World* by Drew Stevens
- *Strategic and Entrepreneurial Sales Management For Sales Leaders: Leading the Sales Force For Higher Market Shares and Profits* by Joël Le Bon

Announcing the Business Expert Press Digital Library

Concise e-books business students need for classroom and research

This book can also be purchased in an e-book collection by your library as

- a one-time purchase,
- that is owned forever,
- allows for simultaneous readers,
- has no restrictions on printing, and
- can be downloaded as PDFs from within the library community.

Our digital library collections are a great solution to beat the rising cost of textbooks. E-books can be loaded into their course management systems or onto students' e-book readers.
The **Business Expert Press** digital libraries are very affordable, with no obligation to buy in future years. For more information, please visit **www.businessexpertpress.com/librarians.** To set up a trial in the United States, please contact sales@businessexpertpress.com

THE BUSINESS EXPERT PRESS DIGITAL LIBRARIES

EBOOKS FOR BUSINESS STUDENTS

Curriculum-oriented, born-digital books for advanced business students, written by academic thought leaders who translate real-world business experience into course readings and reference materials for students expecting to tackle management and leadership challenges during their professional careers.

POLICIES BUILT BY LIBRARIANS

- *Unlimited simultaneous usage*
- *Unrestricted downloading and printing*
- *Perpetual access for a one-time fee*
- *No platform or maintenance fees*
- *Free MARC records*
- *No license to execute*

The Digital Libraries are a comprehensive, cost-effective way to deliver practical treatments of important business issues to every student and faculty member.

For further information, a free trial, or to order, contact:
sales@businessexpertpress.com
www.businessexpertpress.com/librarians

Key Account Management

Strategies to Leverage Information, Technology, and Relationships to Deliver Value to Large Customers

Joël Le Bon and Carl Herman

Now more than ever, companies are faced with a critical and challenging truth. Today's customer is demanding more attention, superior service, and the expertise of a dedicated sales team. Suppliers must make difficult choices to determine how to allocate limited resources, including which customers receive the highest level of service. Increasingly, supply side organizations are working to design and implement key account programs to meet or exceed these expectations. Key account management is a specific business strategy that involves complex sales processes, large-scale negotiations, and the alignment of multiple internal and external stakeholders. This multi-pronged process is anything but straightforward, and the business world is filled with examples of key account programs that have not achieved the expected results. This book addresses the strategic challenges facing top executives and sales leaders as they build strategies to better manage their key accounts.

By leveraging up-to-date research, testimonials drawn from interviews with experienced practitioners, best practices of successful companies, along with straightforward practical guidelines for executives and sales leaders, this book can serve as an instruction manual and toolbox for organizations working to achieve success through their key account strategies to meet the demand of their key customers.

Joël Le Bon is a marketing professor at the University of Houston, C.T. Bauer College of Business, where he also serves as the director of executive education for the Sales Excellence Institute. He received a BA in management science, an MS in marketing and strategy, and a PhD in marketing from the University of Paris Dauphine. He has held sales and sales management positions in the media industry, and worked as a strategic account manager for Xerox. He has earned numerous awards and distinctions for his research and teaching.

Carl Herman has over 30 years of experience in high tech sales, key accounts sales, and in senior sales management. He earned his BA degree in economics from Colorado College, and an MBA from Southern Methodist University. He has held sales and sales executive positions for five high technology companies: Unisys, Oracle, Siebel Systems, KPMG Consulting, and Landmark Graphics, a Halliburton Company. He teaches at the University of Houston, C.T. Bauer College of Business.

SELLING AND SALES FORCE MANAGEMENT COLLECTION
Buddy LaForge and Thomas Ingram, *Editors*

BUSINESS EXPERT PRESS

ISBN 978-1-63157-174-9