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Chapter 1: Introduction

The purpose of this Report is quite simply to explain and demonstrate 'how to prepare and use a key account plan' as an important step towards achieving 'High Performance Account Management'. Industrial, consumer products and service companies face different challenges. This Report addresses these. Each chapter looks at one part of the planning process, explaining the methodology and planning techniques and structures, giving examples and providing formats and checklists to help the reader implement the key account planning process. Over eighty practical tools are provided.

This is a 'how to' Report. After reading those parts that are relevant to your business you will be able to compile a powerful, implementable customer plan that will work within your particular organisation for you.

The reader is encouraged to select his/her own personalised reading path through the material depending on the level of existing knowledge and the stage of development of key account processes within their organisation (see figure 4 in this introduction). By the end of the Report you will be able to compile a key account plan that will work in your organisation.

The content is based on over 25 years of research and experience with key account practices in many companies, across different industries and geographic regions. This has revealed that key account planning is often conducted in an ad-hoc manner. Some companies only draw up revenue budgets and action plans for their key accounts, calling this process key account planning. Others will adopt a sophisticated process devoting considerable time and effort. Some companies' key account planning processes can be described as 'excellent' and their experience and successful methods are included in this Report as exemplars of best practice.

In this Report we examine the various steps of the key account planning process and look at ways of implementing each in a logical and structured manner. There are, of course, many different ways of planning for key accounts, but the virtue of the approach recommended herein is that it provides a template that systematically enables the account manager, and each member of the key account team, to share a common approach. This approach has been proved with many clients and is now the standard content for many public and in-company training programmes.

In the first of the nine chapters the structure of the key account planning process is examined. The value it contributes to the business, the key steps in its implementation and their structures are also reviewed. Chapters 2 to 7 detail the various steps of the process. Starting in Chapter 2, with the collection and collation of

data in the customer fact file; then Chapter 3 moves to the analysis of sales, cost, and activity performance data. This leads to Chapter 4 which looks at the detailed analysis of customer relationships making use of the customer base map and relationship model; providing the inputs to the SWOT analysis discussed in Chapter 5. In Chapter 6 the account vision and objectives are discussed; which provides the direction for developing the account strategies, tactics and action plan covered in Chapter 7. Chapter 8 looks at the challenges of implementing the strategic account plan and gaining internal and external commitment to it. Finally, Chapter 9 gives a number of examples of customer plans demonstrating the methods and principles discussed in earlier chapters.

Defining the terms used in this Report

There are many expressions used in this Report that some readers will be more familiar with than others. To avoid misunderstandings, ambiguities and frustrations the main terms are defined below:

Customer

The organisation that buys from the supplier. The customer may use what they purchase themselves or add value and resell it to their customers. Customers are also referred to as *accounts*.

Key account

Customers who by reason of their size, their purchases, or for other reasons are important to the supplying company and whose loss would have a noticeable, negative effect on the supplying company in the short, medium or long-term.

End user

The individual or organisation that uses or consumes the product or service. This may be the customer, the customer's customer, the customer's customer's customer and so on.

Decision making unit (DMU)

The DMU is the group of people within the customer who together have an influence on and make the buying decision.

Buying point

The location that places orders on suppliers.

Lifetime customer value

The streams of revenue/profit and other value received from the customer over the period that the customer and supplier do business together.

Lifetime supplier value

The value of the streams of products and services received from the supplier that generate profit/revenue, reduce costs, improve efficiency or generate other benefits for the customer over the period that the customer and supplier do business together.

Account manager

An individual who holds primary responsibility for his/her company's performance and results achieved with specific, named customers. The individual may be responsible for only a single customer or for several. Their performance will be assessed on the results achieved with the customer(s) for whom they hold responsibility. These results will depend not only on their own performance but also on how others in their organisation respond to and deal with the customer(s). In this Report the term 'account manager' is used synonymously for the different types of account manager job titles below.

Account co-ordinator

An individual who co-ordinates the efforts of a number of individuals in different parts of their company, often geographically dispersed, towards the customer with the objective of ensuring consistency of policy and service. They may or may not be held responsible for the results achieved with the customer.

Key account manager

Deals with the local buying/influencing points of large customers having several locations within a single country or a region in the country.

National account manager

Deals with the head office of a customer having several locations in one country.

Regional account manager

Deals with the regional head office of a customer located in several countries - a multinational or international company

Global account manager

Deals with the global head office of an international company.

Strategic account manager

Works in partnership with an important customer to develop and implement mutually beneficial strategies.

The role of the account manager

The job performed by the account manager varies between organisations. The objective, typically, is to work with the nominated customer to maximise its lifetime value to his/her company and to maximise the lifetime value of his/her company to the customer. To do so he/she will carry out a number of activities, including:

- Establishing and maintaining relationships throughout the customer's organisation
- Co-ordinating his/her firm's activities and work with customer contacts to ensure that the trading process works smoothly
- Understanding and communicating the customer's needs, priorities and key initiatives within his/her organisation
- Negotiating and obtaining orders/contracts
- Preparing and implementing the account plan.

The major challenges of strategic account planning

Preparing the strategic account plan is a non-trivial exercise. It is both challenging and time consuming. When done well it substantially enhances the power and impact of the key account management process with both the customer and internally within the supplier's organisation, generating high returns on the time and energy invested.

Amongst the main inhibitors and challenges to effective implementation of successful planning are:

- Collecting reliable information about the position of competitors in the individual customer account.
General competitor information is usually readily available but only of limited use. What is needed is detail about how each specific competitor is doing in the customer, what they have done historically and what they plan to do in the future. This needs both finely tuned antennae to detect productive sources of information and detective reasoning and deduction skills. We will examine these issues in detail in Chapter 2.
- Selecting the most appropriate strategy based on one's own strengths and the competitor's vulnerabilities.

Developing the best strategy is partly the product of good analysis and systematic processes but equally of creative insight and innovation. In Chapter 7 both dimensions are examined and practical approaches are laid down.

Example: One company achieved a significant improvement (20 per cent+) in profitability following the implementation of a systematic key account planning process. Most organisations that implement a key account planning system do not even bother to measure the results.

- Getting the support of internal colleagues to implement the plan.

The account manager will spend as much time as possible gaining internal support and resources to implement the account plan, as external customer support. Without it the plan remains an interesting, but ineffectual document, not warranting the time invested in it. Chapter 8 looks at this challenge and how to deal with it

- Moving to joint planning with the customer.

The key account planning process provides a valuable tool that, amongst other benefits delivered, helps to link the customer closer to the supplier. Only by helping the customer to achieve its objectives and implement its strategies in its marketplace will the supplier create real value. Chapter 7 identifies how to develop winning customer strategies and Chapter 8 discusses how to get the customer involved and how to obtain customer commitment.

Strategic account planning – the key success criteria

At the end of the day how should the quality of the strategic account plan be judged and the success of the strategic account planning process be evaluated?

Answering the following questions in figure 1 gives a good measure. A grand total score above 21 suggests that the organisation gains at least some benefit from the plan and the process that develops it.

<i>Read each statement below and tick the column that most reflects the extent of your agreement</i>	ALWAYS	USUALLY	OCCAS- IONALLY	RARELY/ NEVER
1. Does the plan motivate and excite?				
2. Does it generate internal commitment?				
3. Does it generate customer commitment?				
4. Does the plan generate greater confidence?				
5. Is the plan regularly reviewed and the action refined?				
6. Does the plan provide the focus for activity?				
7. Does the plan enable more to be achieved than without it?				
Value for each tick score	4	3	2	1
Add the ticks in each column and multiply by the value for each tick score TOTAL				
	Add the total for each column GRAND TOTAL			

Figure 1: Assessing the benefits of the key account planning process

How to use this Report

Do not read this Report from beginning to end. Rather, select those sections that are of most use to you.

It is important to appreciate that the adoption of customer or account management is a journey, not merely an organisational arrangement that treats important customers differently to the others. Some companies will have progressed further in their journey than others. The intention is to focus the reader on those parts of this Report that are capable of being implemented at the stage of development that their organisation has reached. To help the reader to identify how far their organisation has travelled along its account management journey, the following development model is used.

Key account development model

Typically, organisations adopt account management in a number of steps, evolving through four stages, as shown in figure 2.

<p>Stage 1: Sales management</p> <ul style="list-style-type: none"> • Reliance on personal relationships • Transactional, short-term deal focused • Features and benefits selling • Focus on brands/ individual products • Many small customers 	<p>Stage 2: Account management</p> <ul style="list-style-type: none"> • Top 10 customers account for in the region of 20%+ of revenue • Negotiation is a core constituent of the relationships • Prices come under pressure • Account profitability is beginning to be used and understood • Increasing individualisation of offers • Consultative selling becomes more important 	<p>Stage 3: Category management</p> <ul style="list-style-type: none"> • Customer focusing on categories in preference to individual product/ service purchases • Long-term horizon to customer relationships • Supplier performance measured and standards set • A few joint projects to enhance mutual benefits • Account manager role becomes more senior • Individual customer strategies developed 	<p>Stage 4: Total customer management</p> <ul style="list-style-type: none"> • Integrated systems with customer • Many joint projects being implemented • Joint acceptance that customer and supplier have shared interests and can achieve more together • A senior manager on each side heads relationship • All the resources needed to deal with the customer are brought together in one function 	<p>Features of the relationship</p>
<p>Selling the product</p>	<p>Maximising sales to the customer</p>	<p>Helping the customer to obtain maximum benefit</p>	<p>Developing long-term strategic partnership</p>	

Figure 2: Stages of development of key account management - the road map

The main features of the relationship are described together with the main supplier objectives for each stage.

Stage 1: Sales management

When markets/industries are young and growing, they will generally be made up of a relatively large number of companies, none of whom will be very large or powerful. No single customer will be sufficiently important that its loss to a competitor would do significant harm to the supplier. At this first stage, a company’s typical approach to its customers will be to operate a geographically dispersed, area based, field sales structure. In time, this will evolve as some accounts become more important and a local key account approach will emerge.

Stage 2: Account management

At this stage, typically, large customers will be purchasing at a number of locations around the country. As these customers grow and generate an ever-increasing proportion of total revenue, together they will reach 20 per cent plus of total

sales, and responsibility for them will move higher in the supplying organisation to regional and national level. It is at this stage that more formal account management structures are created. Typically, large customers will be the responsibility of national account managers. Initially, an account manager may look after several important customers, but as the workload increases, the number of customers will reduce until the account manager is solely responsible for a single customer. At the same time multinational customers begin to leverage their international power to more efficiently source products and services. In response, regional and global account management structures are created by suppliers to co-ordinate the offerings across all the customer's operating and purchasing locations.

Example:

Category management –
Consumer goods company

For a retail customer this might mean looking at the whole canned vegetable category and seeking to increase sales and average margins on the whole category rather than an individual brand or variety.

Stage 3: Category management

Over time relationships between customer and supplier broaden and deepen. The challenge is to ensure that increasing benefits accrue to both sides from the trading relationship. Customers will begin to take a category management approach focusing on a whole group of related products and services, rather than looking at each in isolation.

For suppliers it means that they must move beyond managing brands and products to managing related sets of products, services and brands that comprise a category. The challenge is to present an integrated category offer to the customer rather than a number of, apparently, unrelated brand/product offers.

Working with the customer, the account manager aims to increase the value obtained by the customer. For a supplier, the category management approach goes beyond considering merely their own offerings to include also those of competitors or other third parties. This becomes increasingly complex as the quantity of data and the depth of analysis increases.

Stage 4: Total customer management

As additional resources are needed to manage the relationship from both sides, more and more dedicated staff are allocated to it. Increasingly a total customer management approach is adopted as these resources are brought together in one function. Headed by an account/customer director, the function can include regional account managers, operations, finance, marketing, research and HR staff and may even have it's own dedicated product supply and manufacturing resource.

Example:

Category management –
Industrial goods company

For an industrial raw material buyer this may mean looking at a mix of raw materials and optimising the mix depending on price, quality and availability rather than doing the best deal on any particular ingredient. It will also mean considering potential economies in the supply chain and increasing the efficiency of product usage.

Using the account development model to get the most from this Report

To use this Report most effectively a three-step approach should be taken.

Step 1: Identify the stage reached by your company on the key account road map

The above descriptions may be sufficient for the reader to identify the stage of development of their organisation along the roadmap. However, for those who wish to adopt a more rigorous approach, the benchmarking checklist shown in figure 3 should be used. The result indicates how far along a particular stage the company has travelled. For instance, a score of 25 would suggest that the company is coming towards the end of Stage 2 – Account management and is ready to begin to move into Stage 3 – Category management.

Step 2: Check the sections of each chapter most relevant to your organisation's stage of key account development

Once the score and therefore the stage of development is established, reference should be made to figure 4, the account planning road map. This shows the numbered sections of each chapter that are most relevant to that stage. For example, if a score of 20 is obtained on the benchmarking checklist (figure 3), a line should be drawn down from that point on the score line at the top of figure 4. This is shown as a dashed line. The sections of this Report that should be read are the ones that the dashed line touches. In chapter 1 these are Section 2.3 – Improving negotiation outcomes; Section 2.7 – Inputs to the company plan; Section 2.4 – Thinking out of the box; and Section 3 – The steps of key account planning. The same process is used to determine which sections to read in chapters 2 to 8.

It is also wise to check that the sections from previous stage(s) of the road map are well understood and implemented. The reader should not however, feel constrained to just refer to the specified sections. Use the personal reading path form shown in figure 5 to determine how you will cover the material in this Report.

Step 3: Benchmarking your company

Chapters 1 to 8 discuss each step of the planning process. At the end of each, the reader can benchmark her/his own organisation by means of a checklist. This will indicate how well the organisation is progressing on that particular aspect of customer planning. The scores are split into four bands. Each band is indicative of one of the development stages, from Sales management (lowest scores) to Total customer management (highest scores).

If, for your own organisation, it appears that the individual section score is lower than the overall position of your company on the road map would suggest then, as a priority, performance needs to improve in this area. Conversely, if a partic-