

It is almost trite to say that companies who truly take marketing as their guiding philosophy put the customer at the centre of their business. Since key accounts are the most important customers, there can therefore be no more important task than the development and implementation of strategic and tactical key account plans.

2. The purpose and benefits of the key account plan

The main reason for compiling key account plans is that they should produce better results in terms of sales and profit for the company. However, a number of additional benefits are described below. Guidance is provided to enable the reader to assess his/her own organization's present performance and the extent to which it is fully obtaining each benefit in practice. These outputs can be brought together in figure 1.5, which will then provide the basis for improving the use of the key account plan.

2.1 Monitoring progress

Key account planning is about deciding what should happen, by when, by whom and to what result. This sets up a number of milestones, usually on a monthly/period basis that facilitate the tracking of progress throughout the implementation period, providing the starting point for feedback and control. Nevertheless, there are a number of process issues shown in figure 1.1 that need to be considered at this early stage.

Issue	Scope for improvement
How precisely are milestones identified in the plan?	
How well are milestones integrated into the progress monitoring process?	
How effectively is data on progress obtained?	
How accountable are individuals for the achievement of milestones?	

Figure 1.1: Progress measurement issues

A judgement should be made on how well each issue is addressed by the company and an assessment made of the scope for further improvement, if any.

2.2 Claiming resources

The planning process, through the requirement to get the plan signed off by senior management, provides the platform for the key account manager to stake his/her claim on the resources, people and budget needed to achieve the account objectives. This is critical because it is unlikely, except in organizations that are well down the path of implementing an integrated strategic account management organization, that the account manager will have direct control over the key resources needed. Particularly important will be the time inputs needed from other people. This may include time from development engineers, IT system software programmers, product managers and so on, who may need to contribute to implement the account strategy.

Example

Having gained acceptance and sign-off to the key account plan at senior level, the account manager found that the agreed product development resource was not made forthcoming. The fact that the development director had committed himself to the plan allowed the account manager to go back to him and remind the individual of their earlier commitment.

The plan itself will identify the resources required. There are a number of ways in which this commitment might be obtained, including:

- The line authority of the senior managers involved in the plan approval process will legitimize the requirements for their inputs
- Their involvement in developing the plan will encourage them to provide the time
- Informal networking with key individuals to make them aware of the contribution required

2.3 Improving negotiation outcomes

The planning process requires a broad understanding of the customer's situation. As a result the account manager is in a much better position to work towards win-win outcomes during negotiations. With the total picture in mind, it will be easier to broaden the issues comprising a negotiation beyond that of price to include concessions that will facilitate progress across a number of fronts.

One preparatory activity that the account manager might undertake before going into a negotiation with the customer, over and above the normal negotiation planning, is to review the plan. This will help identify any other requirements, not directly associated with the negotiation issues that might be obtained as concessions from the customer or given in return. For example, obtaining information in an area where the account plan is weak, or gaining an introduction to a new contact in another part of the customer.

Example

Having understood the customer's priority need to reduce their headcount, the account manager was able to offer, as a significant concession, 'conduct of acceptance testing procedures in line with the ISO 9001 requirements'. This saved the customer the equivalent of one full time quality assurance person. Fortunately, it did not significantly increase the supplier's costs as this was a normal part of their offering.

2.4 Thinking out of the box

Used badly, the account planning process merely records activity which would have, in any case, been carried out. Used well, it provides the opportunity for the account manager to stand back and take an objective look at all the aspects of the customer and competitors, and to develop strategies that use the supplier's unique competences to gain competitive advantage with the customer. This often requires that creative new solutions be developed, necessitating new thinking and getting ideas from the members of the account team.

Creative ideas can be generated in a variety of different ways. Figure 1.2 highlights some of the main ones and provides a checklist for identifying the extent to which they are used. None of these methods are guaranteed to generate good ideas but they do increase the likelihood of so doing and some also provide a good way of getting others involved. The extent to which each method is used needs to be identified and the degree to which it would be worthwhile using it more can be assessed.

Method	Extent of usage	Worthwhile using more?
Brainstorming		
Questioning assumptions		
Mind mapping		
Finding analogies		
Using analytical techniques		
Sources of ideas		
Colleagues and other employees		
Customers (buyers/users)		
Competitors		
Suppliers		
Journals, newspapers, books		
Consultants/academics		
Seminars, conferences		
Employee suggestion schemes		

Figure 1.2: Methods and sources of new ideas

2.5 Co-ordinating and leading the account management team

Effective key account management requires inputs from many different functions within the supplying organization. As well as the key account manager, development, operations, training, presales, marketing, finance, post sales, quality control and other staff are likely to be involved. The planning process provides a means for getting inputs from the team, including them in its development and gaining their commitment to the resulting customer strategy and approach. This should both increase motivation and provide a common direction and focus of effort.

Figure 1.3 provides a format for identifying who, on the supplier side, is involved and the degree to which they impact on the customer. The extent to which each individual or their boss is involved in the planning process can then be assessed. A judgement can then be made as to whether this level of involvement is appropriate in relation to their impact.

Example

A supplier of speciality and commodity chemicals identified that their business unit marketing personnel were not involved in the customer planning process. Rather, they handed down their requirements and then left it up to the account managers to meet their needs. This put the account managers at a significant disadvantage that impacted negatively on their company's success. The analysis (figure 1.3) highlighted the importance of the marketing function and the need to get them involved in a more substantive manner.

Name of individuals involved with the customer	Identify the degree to which each individual impacts (Imp) on the key account and the extent of their involvement (Inv) in planning High = H, Medium = M, Low = L									
	Policy		Service		Revenues		Costs		Other	
	Imp	Inv	Imp	Inv	Imp	Inv	Imp	Inv	Imp	Inv
Sales/customer management function:										
Marketing function:										
Pre-sales functions:										
Post sales functions:										
Operations:										
Logistics/supply chain:										
Research/innovation:										

Figure 1.3: Identifying who is involved and their impact on the customer

The vision provided by a good account plan enables the account manager to provide an additional motivational dimension that is able, if used well, to galvanize and excite people. The extent to which the account plan is used to provide direction and leadership must be carefully planned.

2.6 Really understanding the customer

The thorough analysis that provides the bedrock for the development of a sound key account plan will improve the understanding of the customer and should give additional perspectives into the issues the customer faces. This starts by identifying the primary customer contacts and, as the relationship develops, building a network of secondary contacts. Greater insight should be obtained of the customer's perception of the category in which the supplier operates; a category being the class of purchases as perceived by the customer that addresses the problem that the supplier's offerings fit into. It should give a deeper comprehension of the key account's customers, markets, objectives and strategies and the particular combination of values they require from a supplier in the category.

Example

A supplier of flexible packaging material saw no reason to try and understand his customer's market until one day he was asked by them to develop a more flexible, soluble material that was to be used as a part of the product itself. The customer was attempting to develop a product to take advantage of changing consumer requirements and lifestyles. Had the supplier understood this better, his own development processes would have been further advanced and he would have been able to prevent a new competitor gaining a foothold.

Naturally, customer needs and requirements evolve and change. In Chapter 2 the various sources of data that give an insight into needs and requirements are discussed. However, the data will not be very helpful until it is reviewed and analyzed, turning it into information that allows conclusions to be drawn. The ultimate objective is to gain increasing insight into the customer. The extent to which the process of development of the key account plan is really used to generate these insights can be assessed using figure 1.4, where the depth of insight obtained (High, Moderate, Low) and any scope for improvement can be identified.

Issue	Depth of insight generated (H, M, L)	Scope for improvement
The amount of analysis carried out		
The analysis frameworks used		
The amount of customer involvement		
The use of mechanisms to enhance creativity		

Figure 1.4: Depth of customer understanding

2.7 Inputs to the company plan

Senior management sets the overall top-down objectives and strategies for the company. The key account plan provides bottom-up inputs to the company plan. Since key accounts are so important, their needs and requirements will have a significant influence on the company plan. The total of their sales and profit contribution will be a significant proportion of the company's planned total and will provide a reality check on them.

2.8 Long term consistency of approach

With the natural turnover of staff dealing with the key account, the account plan provides a means of ensuring a consistency of approach. It allows new people joining the account team to quickly build up an understanding of the customer and the issues being faced. A common view is communicated of the account objectives and the direction in which the account is being taken. Without an account plan being in place, the customer will have the advantage when there is change in the supplier's staff and there will often be a tendency to 'reinvent the wheel'.

2.9 Improving the use of the key account plan

To improve the usefulness and the resulting benefits obtained from the development of the key account plan, the eight issues considered above, in sections 2.1 to 2.8, need to be reviewed together. Figure 1.5 gives a suitable template to enable this to be done and to identify specific actions that should be taken to improve it.

Key account planning issues	How well is the plan used to:	Implication for improving the account planning process
Co-ordinate the account management team		
Stake a claim on the resources needed		
Encourage creative, 'out of the box' thinking		
Provide the basis for tracking performance		
Really understand the customer		
Improve negotiation outcomes		
Show leadership by the key account manager		
Provide inputs to the company plan		
Ensure long-term consistency of approach		

Figure 1.5 – Benchmarking and improving the key account planning process

Each strategy has direct implications for the level of resource, mainly people and money, that the supplier needs to harness to implement it successfully. Figure 4.11 indicates the minimum resources required to successfully implement each strategy. Starting with a single resource unit for a withdraw strategy, then a delegate/maintain strategy requires three units, a defend strategy nine units and an attack strategy a minimum of twenty seven units. One of the greatest failures in implementing account plans is the lack of vision to identify and to harness sufficient resources to implement an effective attack strategy.

Strategy	Resources	Example of activity
Withdraw	1 unit	Manage exit. Increase price, provide customer with alternative.
Delegate	3 units	Keep contact. Use less costly resources. Do not account manage. Consider telephone-selling, direct/internet marketing, handing over to distributors. Sell standard offerings. Provide standard service.
Defend	9 units	Maintain share of customer's business. Maintain/expand and actively work the contact base. Sell standard offerings. Provide standard service. Defend against competitor attack.
Attack	27+ units	Increase share. Account manage, develop and use account plans. Priority service. Actively work and expand the contact base. Stimulate joint projects. Use price selectively and aggressively. Develop individual offerings to suit customer needs and requirements. Develop long term joint planning horizons.

Figure 4.11 – Minimum resources needed to implement each strategy

3. Analyzing customer relationships

One of the key dynamics impacting on the success, or otherwise, of the interactions between purchasing and supplying organization is the relationship between the two. This relationship is multifaceted and its health is determined by interpersonal interactions, trading exchanges, power balance, trust and many other quantitative and qualitative factors. Since relationships are so important, it is necessary to have an understanding of them that goes beyond the rather shallow descriptions of good, bad or indifferent if they are to be planned well and with a degree of insight. Typically both experience and research² suggests that account managers tend to be a little over optimistic about relationships, perceiving what they would like to believe, rather than the cold harsh reality. This means that the relationship has to be put under the microscope and examined in detail.

2 McDonald and Woodburn, 1999

3.1 The relationship model

To some extent, customer relationships, like personal ones, evolve in a predictable manner. A useful model is shown in figure 4.12. This suggests that there are four main stages through which customer relationships evolve, which are labelled courtship, engagement, honeymoon and wedlock. Some organizations are not comfortable with these labels, in which case they should choose ones which are more in line with their culture.

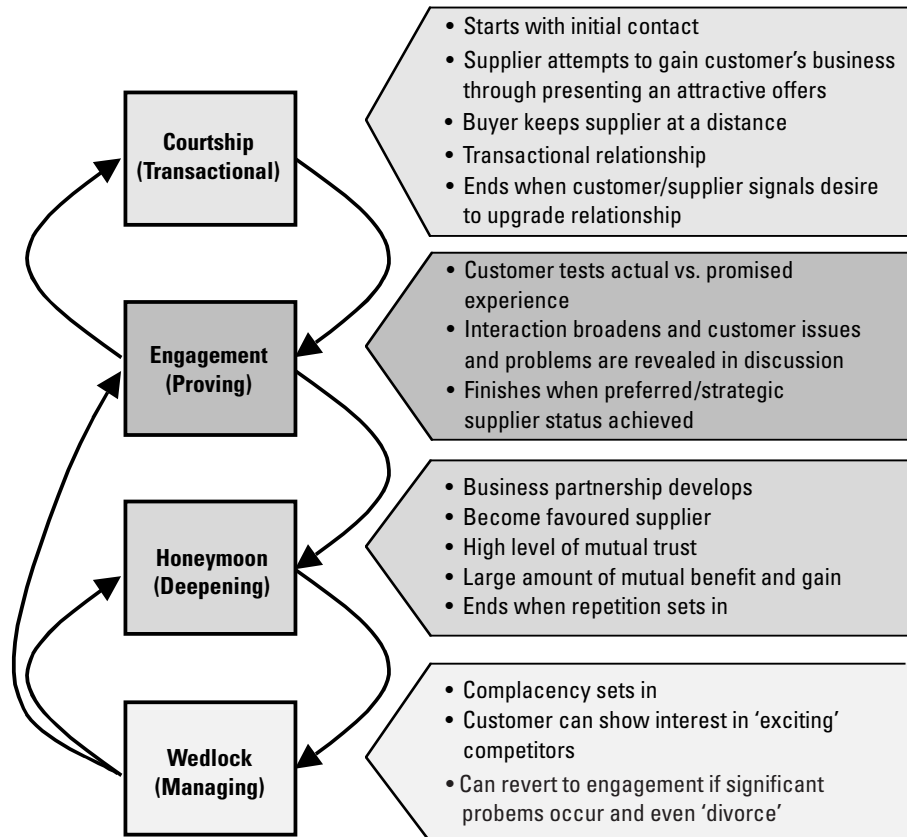


Figure 4.12 – How key account relationship evolve

Although there are similarities between organizational and interpersonal relationships, they are not the same. Care must be taken therefore not to apply the analogy too literally.

During courtship the supplier is often very active, initially incurring costs without, as yet, receiving any revenue. Once trading begins the customer evaluates the product/service and the purchase experience against what was promised/expected. If it is in line then further purchases occur, repeat buying the initial product/service if appropriate and also buying additional, related offerings from the supplier. If this experience continues to be a good one for the customer then

the supplier will account for an ever-increasing share of the customer's purchases in the category. Once both sides feel confident with each other, either side may signal that they wish to broaden the relationship. However, neither wishes to make an unconditional commitment. This leads into 'Engagement' during which the supplier and the customer need to prove to each other that they can deliver. Joint activity may focus, for example, on a supply chain project, if this is successful then at some point the customer will allow themselves to become more dependent on the supplier, and the relationship moves into the honeymoon stage. This is likely to occur when the supplier begins to account for 40%+ of the customer's purchases in the category. Here the supplier is much favoured by the customer and vice versa and the relationship can become extremely productive. It is likely that these will be many joint projects at this stage. Sometimes, however, neither side is sensitive enough to recognize this stage and it goes by unnoticed. One reason for this is that other, more problematic relationships grab the attention and energy of the individuals concerned leaving the fertile, unproblematic honeymoon relationships unattended. The wedlock stage is much more taxing with varying levels of trust. Price becomes very important again and negotiation is a key dimension of the relationship.

Relationships can move both ways. Sometimes, if significant problems are present then wedlock relationships can move directly back to engagement, as the supplier loses share and influence. Conversely, if the relationship is well managed then it may move from wedlock back into a second honeymoon. Also separation and divorce may occur.

Reverting back to the 'purchaser supplier analysis' model discussed earlier in 2.3, parallels will be seen. There will be, unless the supplier takes action to prevent it, a tendency for the buyer to regress relationships back to the courtship (transactional) stage. The aim of the account management programme and the account manager position is to prevent this from happening. The development of an insightful strategic customer plan is a vital component in making this a reality.

3.2 Assessing the relationship stage and state

The model is fairly intuitive but a degree of objectivity is needed to recognize which stage a particular customer relationship is at. Some guidelines are given in figure 4.13, outlining the major characteristics of each stage.

Customer characteristic	Relationship stage			
	Courtship	Engagement	Honeymoon	Wedlock
Sales	None	Low, growing	Growing, high	Plateauing, declining, growing slowly
Sales share	None	Low, growing	Greater than 40% growing	Greater than 40%
Price sensitivity	High	Growing less	Low	High
Profit potential	None	Low, increasing	High	High, fluctuating
Contact base	Few	Few, growing	Many	Many
Supplier status	Low	Low and increasing	High, partner	Fluctuating, partner
Mutual dependence	Low	Low and growing	High	High
Trust	Little	Growing	High level	Varying
Tolerance of supplier errors	Low	Low but increasing	More forgiving	Moderate

Figure 4.13 – Relationship stage characteristics

The analysis can be made more insightful by recognizing that each stage comprises a number of states. In the same way as there are good and bad marriages in human relationships, so some states are better than others in organizational relationships.

The states are listed in Figure 4.14 together with a brief summary description of each. The interpersonal relationship analogy is continued, although again, if the organization is not comfortable with these labels, others more in line with their culture should be chosen.

STAGE	STATE	SUMMARY DESCRIPTION
COURTSHIP Relationship is transactionally distant and strongly price focused	Whirlwind romance	Customer has very strong need and is eager to purchase quickly
	Third time lucky	Customer has existing supplier but may be willing to change if convinced of additional benefits
	Long shot suitor	Customer has good relationship with existing supplier and is doing a 'reality check' to ensure their offer is competitive
	Too good to be true	Customer is very eager to order and is selling the supplier on the benefits of dealing with their organization
	Distant	Transactional relationship with limited contact base and few if any significant interactions
	Second time around	Following earlier separation or divorce

ENGAGEMENT Supplier has a small share of customer's available business	Early evaluation	First project is implemented and evaluated and customer evaluates experience vs. promise
	Middle, moving closer	Supplier's share of trade is increasing and broader issues are being discussed
	Middle, stable	Supplier's share is static and although some broader issues are being pursued, little progress is being made and competitive pressure is increasing
	Regressing	Supplier's share is decreasing, the relationship is narrowing and there is a strong possibility of separation
	Long-term accommodation	Supplier has a low, but relatively stable share for several years and there are a few joint projects attracting minimal resources

HONEYMOON Significant mutual dependency and very high levels of trust	Newly-wed	Supplier has a high share of customer's purchases and there is a lot of openness with many joint projects
	Long and loving	The best relationship in terms of sharing information, future orientation and strategic partnership
	Weekend	Short period of openness with relatively few members of the DMU
	Unnoticed	Where honeymoon conditions are present but no effort is being put in by either side

WEDLOCK Mutual dependency with fluctuating trust and significant competitive pressure	Post honeymoon	Openness and trust high but decreasing a little. Strong commitment to the future
	Growing together	Share of customer's purchasing is high and increasing
	Roller coaster	Confrontational relationship on the surface but underlying trading relative high and stable
	Growing apart	Share decreasing and significant trading problems are present
	Crumbling	Share falling quickly and interpersonal as well as trading problems are apparent
	Stable	Relative static share and little innovation in relationship
	Seven year itch	Relationship has existed for some time and there are few problems, customer shows signs of wanting to change

Figure 4.14 – The relationship states

The value of the model is that it provides a language to describe customer/supplier relationships in a more detailed and specific way than the broad descriptors good, bad or indifferent. Relationships can now be analyzed to assess where they are – their stage and state. In addition it provides a useful structure to enable the account manager to review the customer performance with his/her boss.

This can be done using the format in Figure 4.15. Relationships are complex and their analysis is not an exact science. However, the more objective the analysis, the more realistic will be the judgement on the true state of the relationship.

Relationship assessment criteria	Customers/DMUs				
	A	B	C	D	E
Nature of relationship <i>Choose from transactional/co-operative/interdependent</i>					
Customer attitude/language used <i>Choose from confrontational/business like/collaborative</i>					
Age of relationship <i>Choose from short/medium/long</i>					
Sales trend <i>Choose from falling/static/increasing /n/a¹</i>					
Share trend <i>Choose from falling/static/increasing/n/a¹</i>					
Product range penetration <i>Choose from narrow/average/wide/n/a¹</i>					
Contact base – supplier/customer <i>Choose from narrow/average/broad</i>					
Frequency of interaction with key contacts <i>Choose from occasionally/average/often</i>					
Openness of information exchange <i>Choose from secretive/average/open</i>					
Frequency and severity of problems <i>Choose from many/average/few/n/a¹</i>					
Tolerance to supplier errors <i>Choose from low /average/high</i>					
Intensity of competitive activity <i>Choose from high/medium/low</i>					
Price pressure <i>Choose from high/medium/low</i>					
Period of credit taken (relative to normal) <i>Choose from long /average/ short /n/a¹</i>					
Short vs. long-term time horizon <i>Choose from short/average/long</i>					
Formal partnership agreement <i>Choose from none/discussing/in place</i>					
Knowledge of customer's business <i>Choose from low/average/high</i>					
Possibility to grow customer's business <i>Choose from none/limited/significant</i>					
Present relationship Stage State					

Note: (1) n/a = not applicable

Figure 4.15 – Relationship analysis sheet

3.3 The customer health check

The relationship analysis can be further enhanced by a systematic consideration of the major issues impacting on it. A format for this supplementary health check is shown in figure 4.17.

	Issue	Implications
People issues <ul style="list-style-type: none"> • Personal relationships • Trust • Boredom • Culture • Work rate • Responsiveness • Organizational pressures • Reorganization 		
Trading issues <ul style="list-style-type: none"> • Quality issues • Price issues • Service issues 		

Figure 4.17 – Customer health check

4. Using bonding mechanisms

Bonds tie customer and supplier together and make the relationship stronger. The implementation of bonds is the main way in which suppliers can steer from one stage and state to another and improve relationships. For bonds to be of high value something must be contributed by both customer and supplier, even if the latter is just giving their time.

There are many different bonds that a supplier can apply. They will all fall into one of four categories as shown in figure 4.18.