



Key Account Management is a Profit Strategy

“Effective key account management requires skills and discipline.”

“How would you feel if, as a customer, you knew that suppliers considered your business a sure thing?” Being taken for granted doesn’t auger well for a long term relationship. Once a client senses that a supplier doesn’t think they have to work for the business, they will start looking for other suppliers and there is, in fact, no relationship between the two organizations! Key account management is a business discipline that is focused on the **total strategic management of the business relationship**. It is rooted in the notion that a few customers tend to generate most of the business and those accounts must be managed carefully.

KAM means asking the following questions:

- How do we want to be positioned with this account after this particular deal is won or lost?
- What is our long-term goal with regards to this key account?
- How we develop a relationship with this account that will be as solid five years from now as it is today?

These are important questions to understand and have thought out. Many companies believe that sales management is key account management and its not! It’s a different discipline and mind-set.

The better a vendor understands the details of the client’s business, the better they are able to identify how their products and services can add value to the client’s business from the client’s point of view. To understand your client better and move into a KAM arena, you must clearly understand the business strategies and future goals of your key account including short term and long term goals, the daily pressures being exerted on management from customers, executives, shareholders, and their competitors. Therefore, how your client perceives value may not be so obvious. Different clients have different needs and may perceive the value of your offerings, customer service and relationship very differently. It is the responsible of the senior account manager to understand this and provide a thorough plan to deal with it.

An important issue here is do you understand how your key account wants to manage its vendors or preferred suppliers? Just as the purpose of KAM management is to make better use of time and effort of your sales force and company resources, your clients are also likely seeking to manage their resources

better through use of vendor management strategies and positioning models. Vendors are seeking strategic account relationships and buyers are seeking strategic vendor relationships.

Procurement is changing rapidly with trends to centralization, globalization, greater cost efficiencies, strategic sourcing, interface simplification and B2B electronic exchanges. Any company wanting to engage in KAM needs to fully understand and deal with the foregoing. Showing up with good product and playing golf with your client isn’t good enough any more.

I would honestly say that Wal-Mart, single-handedly, is responsible for changing the way vendors interface with key accounts. They demand excellence, technology, service levels agreements and have clear expectations of their vendors. Having been to Bentonville Arkansas for a major client that deals with Wal-Mart as a client, we were told that they are tough but very professional and fair.

The role of the account manager is changing from the conventional sales approach to a relationship management approach. For example, it moves from price negotiations to profit negotiations; from close is number one to the follow-

through is number one; adversaries to partners from “me-oriented” to “we-oriented” and from the product as providing value to the service as providing value.

One of the major differences between key account management and conventional selling is the notion of a relationship plan developed by the account manager. To move from a provider of a commodity item to a preferred supplier or even a strategic ally, a carefully developed KAM plan essential. Account managers hate to plan. But without a relationship plan you may never be able to understand the critical success factors for the account and an associated set of actions to leverage the business opportunities. The major reason for this essential plan is that whatever got you where you are today with the account may not be sufficient to keep you there tomorrow. The minute you think of the “sure thing” you will lose the business to your arch rivals. You just can’t be successful at business development and relationship management by guessing. More important today clients expect more than your personality to carry the relationship. Business discipline and professionalism can be a competitive advantage in the world of selling.



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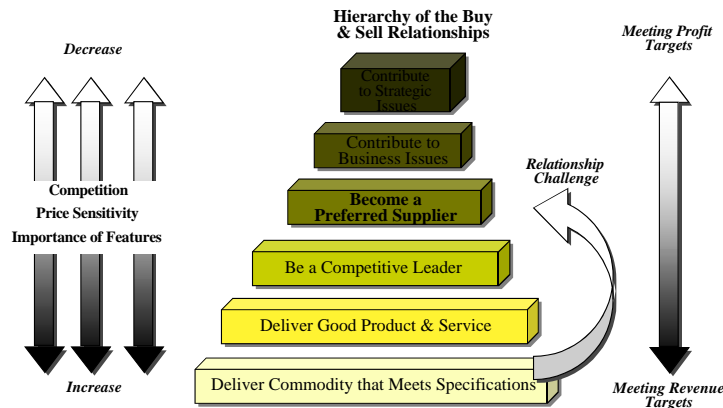


STRATEGIC SOLUTIONS



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Profitable account management requires adding value to the relationship.



To make a KAM relationship management work you must have a clear profitability target for your key accounts and know the levers that will ensure the account is viable for a long time to come. Its about collaboratively negotiating the business for mutual stability and gain. It means you have to understand your client's key objectives beyond just the category you are in and appreciate your company's own core competencies.

KAM is a team sport. As KAM manager you can't do it alone. A fully integrate company team needs to support the efforts. And without senior executive commitment, forget it.

You must transform your sales force in many important ways. You must transform yourselves from a supplier of individual products and services to a supplier of profits. You need to shift from selling products to managing the entire relationship. Move from being an added cost to added value.

But the major transformation is in your outlook. From competing against other companies in your industry to competing against the cost and sale opportunity constraints of your key accounts. And your objectives must match those of your key accounts. KAM is worth the effort and discipline. Deeper relationships and more success will result.

About

The Strategic Planning Group

The Strategic Planning Group (T.S.P.G.) is a **full service consulting firm** that can provide organizations with a wide range of advice, business tools and solutions. At T.S.P.G. our focus is on helping our clients solve their complex issues to realize their ultimate potential, whether we are assisting in a particular functional area or helping to set the overall strategy for the organization. Our full service approach combined with our commitment to helping clients realize their ultimate potential, results in an efficient and effective approach, creating great value for our clients.

We want to be more than just consultants. For us to be successful in helping you we need to understand how you operate and what challenges you are currently facing. We want to help you achieve your goals and your ultimate business potential. To accomplish this we must be trusted and objective advisors to our clients by contributing our knowledge, experience and thinking in ways that make a positive impact.

We are growing rapidly and on the leading edge of thought leadership with a goal to add value to our clients.

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