

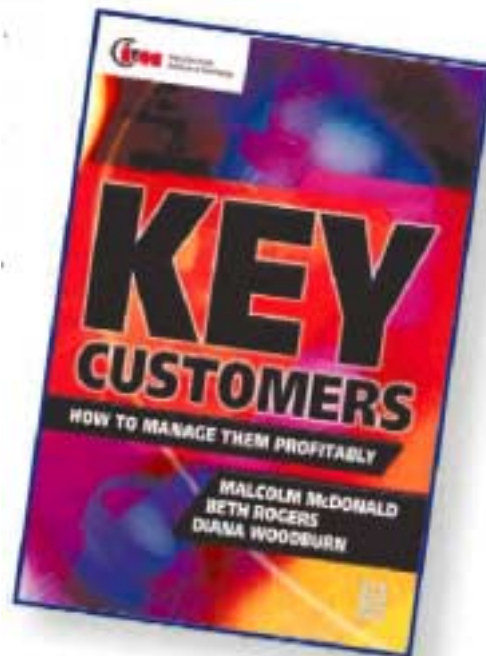
Key Account Management



The
**Marketing
Process**
COMPANY

Key Account Management

*Based on the methodology of
Professor Malcolm McDonald
of Cranfield School of Management*



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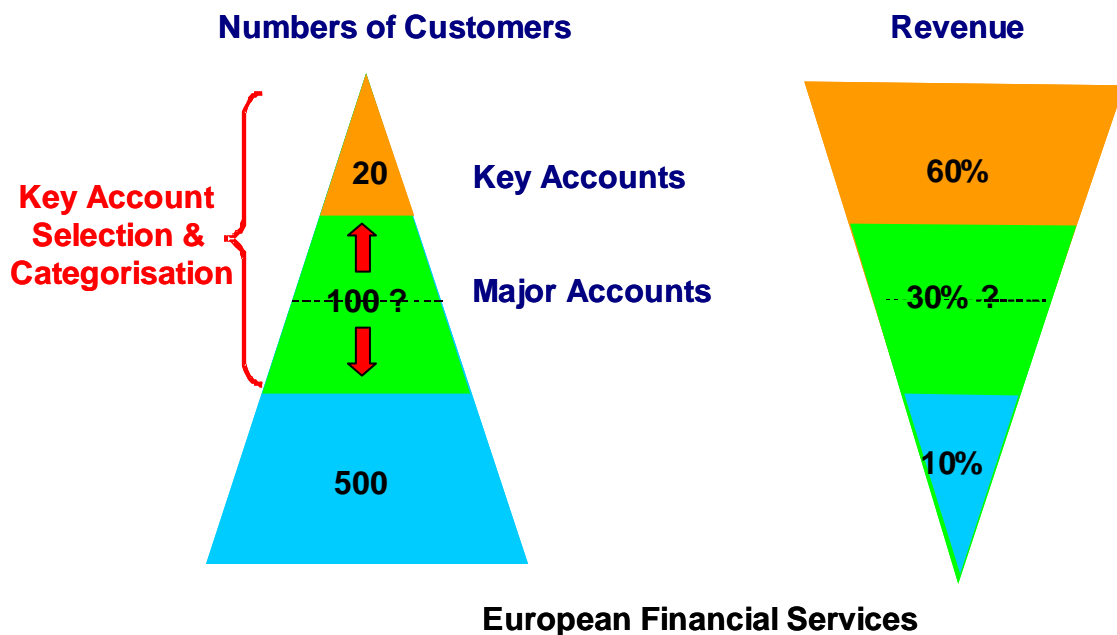
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1. Background to Key Account Management

Professor Malcolm McDonald of Cranfield University School of Management, a world authority on marketing planning, has produced numerous publications on strategic planning over the last 10 years. His most recent book *Key Customers – How to Manage them Profitably* is based on 4 years of research work at the Key Account Management Research Club, conducted at the Cranfield School of Management with 15 leading companies. The staff of the Marketing Process Company conducted the research, and are co-authors of the book to be published in April, 2000 and were also co-authors of the FT KAM report dated May 1999.

1.1. Issues for Key Account Managers

Many companies have similar issues to address as in the European Financial Services Company shown below. In this example the company had identified 20 Key Accounts and approximately 100 second tier or Major Accounts from the total of 600 customers. Since there were shortages of internal resources, decisions had to be made about which accounts to manage. The company went through a detailed process of Selection and Categorisation for the 120 customers. Some were promoted from Major Accounts to Key Accounts and some were relegated to the third tier, as there was clearly no future potential.



1.2. Benefits of Key Account Management

The competitive differentiation derived from Key Account Management has been the subject of extensive research by Cranfield School of Management and can be summarised as follows:

- Understand each customer and anticipate their needs
- Appraise their potential
- Appreciate sources of risk, cost and profit
- Develop appropriate strategies for each customer
- Develop better implementation processes
- Monitor actions and improve results.

1.3. The Offer

The Marketing Process Company is able to offer a range of training, workshops, consultancy support and software to help select, categorise and plan for Key Accounts.

1.4. A Selection of our Clients

The Marketing Process Company has conducted strategic planning projects in approximately 40 countries around the world.

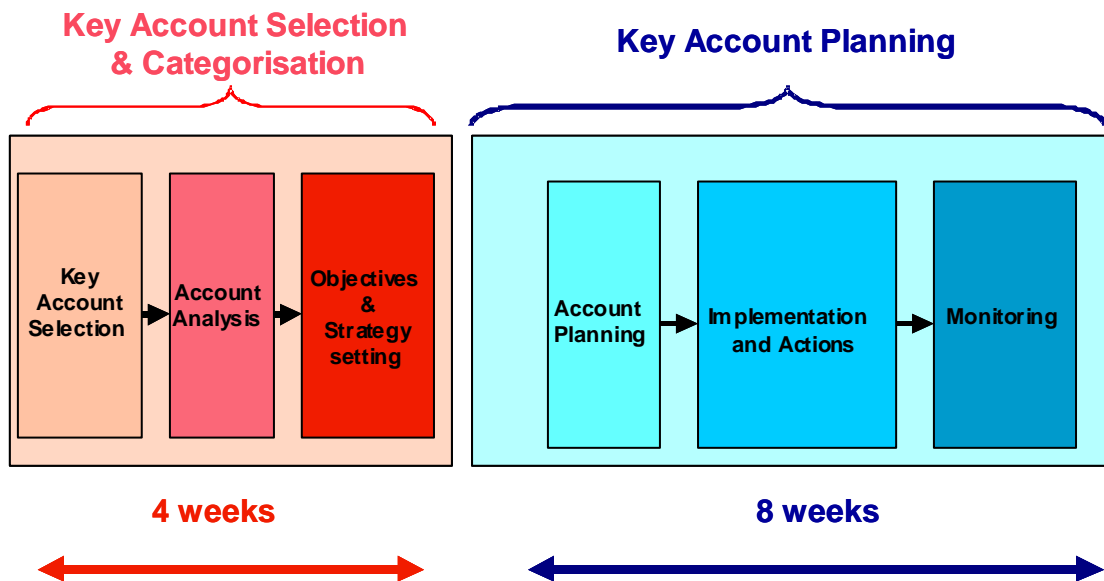
A selection of our clients is shown below:

American Express	Cellnet	Pilkington
BMW	Eagle Star	Post Office
BNFL	GKN	Scania
BOC	Halifax	Texaco
BP	IBM	Xerox
British Gas	Mitel	Yorkshire Electricity
BT	Norwich Union	Zurich Financial Services
Cable and Wireless	Oracle	
Castrol	Philips	

2. The Key Account Management Process

The successful introduction and implementation of the Key Account Management Process within an organisation is dependent on management commitment and high quality process consultancy and training, as well as the use of state-of-the-art software tools. This ensures that key members of staff are familiar with, and trained in, all the Key Account Management processes and integrated techniques, which have been developed in conjunction with Professor McDonald of Cranfield School of Management.

Experience has shown that the most efficient and beneficial method of implementing the Key Account Management Process is by following the steps shown below:



2.1. Key Account Selection and Categorisation

High-involvement relationships with key customers offer major opportunities to potentially grow the business and, at the same time, save costs for both sides. Key customers often require innovation, major investment and high running costs. An organisation's capacity for high-cost, intimate relationships is limited, so the first, crucial decisions must focus on the selection and categorisation of key accounts.

2.1.1 Key Account Selection

The Key Account Selection Matrix provides a solid methodology for analysing, identifying and prioritising key accounts using account portfolio management. It is an invaluable tool, which will guide you through a step-by-step process and enables you:

- to select the population of key accounts to be categorised
- to measure their relative attractiveness
- to evaluate your relative business strengths in each of these key accounts
- to diagnose the nature and value of your key account relationships and make a realistic appraisal of their potential
- to prioritise and decide the appropriate 'top-level' strategies for each selected account.

2.1.2 Account Analysis

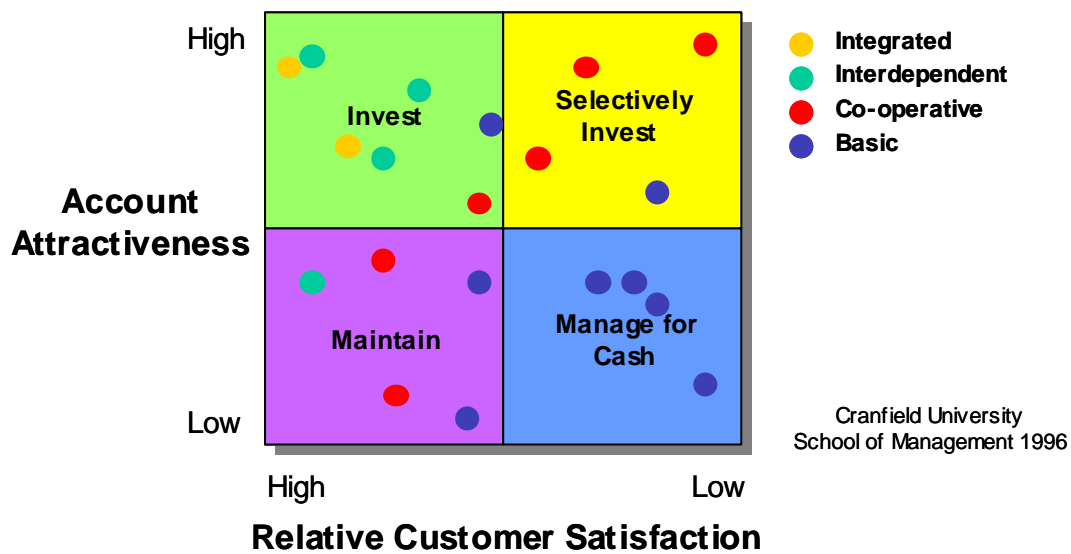
The axes of the Key Account Selection Matrix are defined as follows:

Account Attractiveness is a measure of the potential of the key account to yield growth in *your* organisation's profit.

Relative Customer Satisfaction is a measure of an organisation's actual strengths in each key account (i.e. the degree to which it responds/ performs to customer needs).

The four-box Key Account Selection Matrix is shown below and it demonstrates the following:

- relative attractiveness of the various key accounts based on criteria selected by the organisation
- relative strengths of the organisation in each of these key accounts in terms of elements of customer satisfaction
- strategic importance of each key account.



2.1.3 Objectives and Strategy Setting

By examining the Key Account Selection Matrix, the following strategies should be applied to a customer depending on where it is located on the matrix.

<p style="text-align: center;">Suggested strategy: Invest</p> <p>Accounts in this quadrant are where you will derive much of your growth in sales and profits. This usually calls for an 'Integrated' or 'Interdependent' type of relationship and reflects the desire to improve your competitive position in an attractive customer.</p> <p>With these accounts you can expect to invest in a wide range of initiatives, because you anticipate a long-term relationship. You should also be able to save costs on both sides through working together. You now trust each other with sensitive information, conduct joint strategic planning and communicate at all levels. The capacity of your organisation for this kind of relationship is limited, so these accounts will be relatively few.</p>	<p style="text-align: center;">Suggested strategy: Selectively Invest</p> <p>Accounts in this box look attractive, but your position with them is currently weak. In order to change that situation, you will have to invest time, effort and perhaps money in them, and you are unlikely to be able to tackle all of the accounts in this box simultaneously. You should review them carefully and sort them into two groups to which different strategies will apply:</p> <ul style="list-style-type: none"> • Invest for growth: those accounts that look more promising and/or those where you can most easily improve your position. The current relationship will be basic or co-operative, and you should aim to develop it as stage further towards co-operative or interdependent stages respectively. • Potential unknown: maintain a watching brief on these accounts until you feel more confident about their attractiveness and/or your company has developed so that you can reasonably meet their needs. The current relationship will be basic or co-operative, and should not be developed further unless the strategy is changed. •
<p style="text-align: center;">Suggested strategy: Maintain</p> <p>These accounts are likely to continue to deliver excellent revenues for some considerable time, even though some may be in static or declining markets. Common sense would therefore dictate that vigilance and prudence is required here. This usually calls for a 'Co-operative or Interdependent' type of relationship. Given that you already enjoy strong relationships with these accounts, this should not be difficult.</p> <p>More importantly, an adequate return on previous investments should be secured and any further investment limited to maintenance issues. As a result, it should be possible to free up cash for investing in key accounts with greater growth potential.</p>	<p style="text-align: center;">Suggested Strategy: Manage for cash</p> <p>In this box fall two types of accounts:</p> <ul style="list-style-type: none"> • those who should not be considered as key accounts at all, and should be managed as a major account • those who should still be considered as key accounts, probably because they provide a large volume of business. <p>The latter will probably be price-focused and/or confrontational customers who do not respond to value-added offers. What they buy from you may not be a strategic purchase for them, and they are not very interested in it. The relationship is likely to be at a basic stage and should probably stay that way. Management and operations should be as efficient as possible in order to offer them the price they want <i>and</i> make a margin from the business.</p>

2.2. Key Account Planning

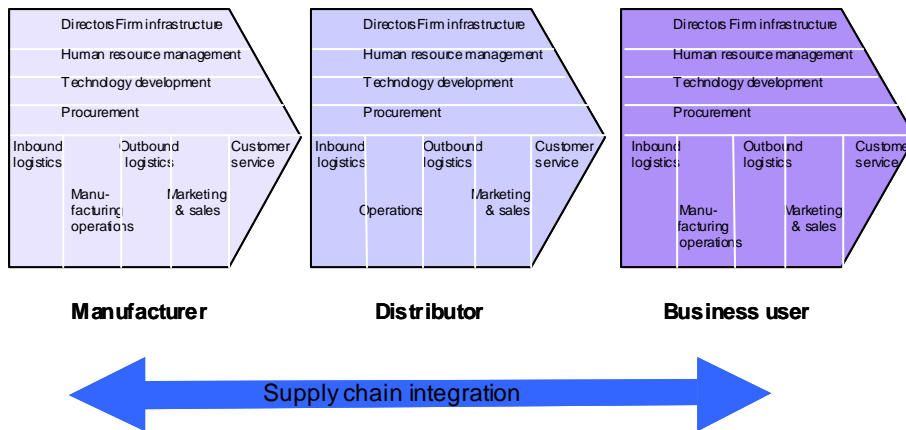
In order to identify the opportunities within the customer and to best serve him, a number of tools are employed to assist the Key Account Manager. The tools include:

- PEST Analysis
- Porter Five Forces
- SWOT Analysis
- Value Chain
- Customer Satisfaction Assessment
- Key Account Profit Potential
- Contact Mapping
- Opportunities
- Actions
- Forecasts and Budgets

A selection of these tools is briefly described in the following sections.

2.2.1 Value Chain Analysis

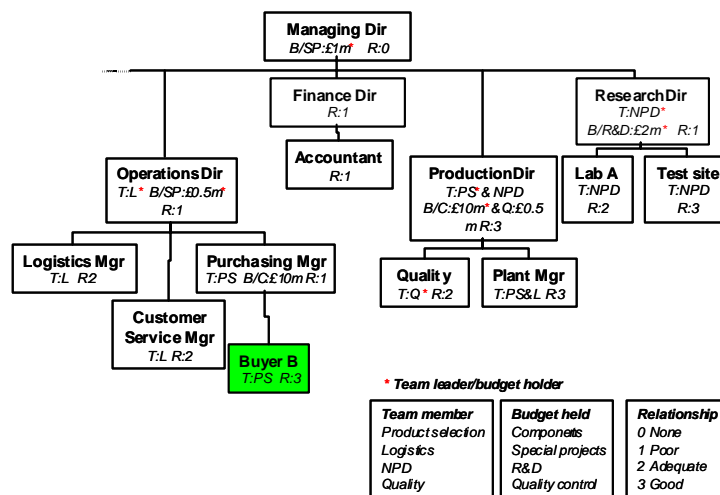
Investigating how a Key Account actually manages these core activities can be substantial task for a key account team, involving, as it does, a deep understanding of the detailed processes of the customer. This



could include understanding what happens to your goods when they are delivered, where they are stored, how they are handled, how they are moved, how they are unpacked, how they are used and so on. The purpose of such detailed analysis is to explore what issues and problems are faced by your customer, with a view to making improvements.

2.2.2 Contact Mapping

This technique allows us to understand if we are talking to the decisions makers in the organisation. It will also identify where alternative approaches need to be made in order to change the nature of the relationship.



2.2.3 Implementation and Actions

Many of the techniques mentioned above will lead to actions and these will be captured and itemised in a typical Action Plan as shown below:

Objective							
Strategy							
Programme	Action	Principal Owner	Resources	Measure of Success	Date Achieved	Cost	Review Date

2.2.4 The Account Plan

The Account Plan should be flexible enough to take into consideration specific company issues from the list of contents shown in the table. The Cranfield research has identified that the typical contents of an Account Plan are as follows:

Contents of a Key Account Plan	
1	Executive summary
2	Introduction and Definitions
3	Customers issues and strategies Account sales history Customer analysis and strategies Account attractiveness Customer satisfaction factors Opportunities and threats
4	Our Company Our strategies: corporate & customer overall Our SWOT analysis
5	Objectives, financial and positioning
6	Our Strategies with customer
7	Risks and dependencies
8	Action programmes
9	Control and Monitoring

2.2.5 Monitoring

A key stage in the successful implementation of a Key Account Planning Process is the successful introduction of a performance monitoring and review process. This would include a review of the following key criteria:

- Short Term results
- Key Performance Indicator targets achieved
- Annual Targets and overall objectives
- Customer profitability and costs assessment
- Customer perception and satisfaction
- Amendment of plans and programmes.

3. Deliverables of the Key Account Management Process

The implementation of the Key Account Management Process consists of a consultancy and training programme, workshops and software. The deliverables are split into the two phases shown below and can be implemented independently.

3.1. Key Account Selection & Categorisation

The suggested components required for the Key Account Selection & Categorisation are shown below:

	Component
1	Key Account Management Workshop to introduce concepts for 8-10 staff
2	Data collection and data input into KASM Software – 2 days
3	Workshop to review results and recommend strategies
4	A copy of the Key Account Selection Matrix (KASM) software

3.2. Key Account Planning

The suggested components required for the Key Account Planning are shown below:

	Component
1	Key Account Planning Workshop for 8-10 staff – 2 Days
2	Data collection & review – 4 days
3	Intermediate Review Workshop for 8-10 staff – 1 Day
4	Data Collection & review – 4 days
5	Workshop Material including manuals
6	Account Planning Software - Optional
7	8-10 Copies of <i>Key Customers – How to Manage them Profitably</i> by Professor Malcolm McDonald

4. Costs

4.1. Key Account Selection & Categorisation

The costs for the Key Account Selection and Categorisation phase itemised in section 3.1 are £10,000 excluding VAT (where applicable) and expenses.

4.2. Key Account Planning

The typical costs of the Key Account Planning implementation without the Account Planning software would be £22,500 excluding VAT (where applicable) and expenses.

In addition the Account Planning software can be purchased to speed up the process and this will be based on the number of users.