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KEY ACCOUNT MANAGEMENT

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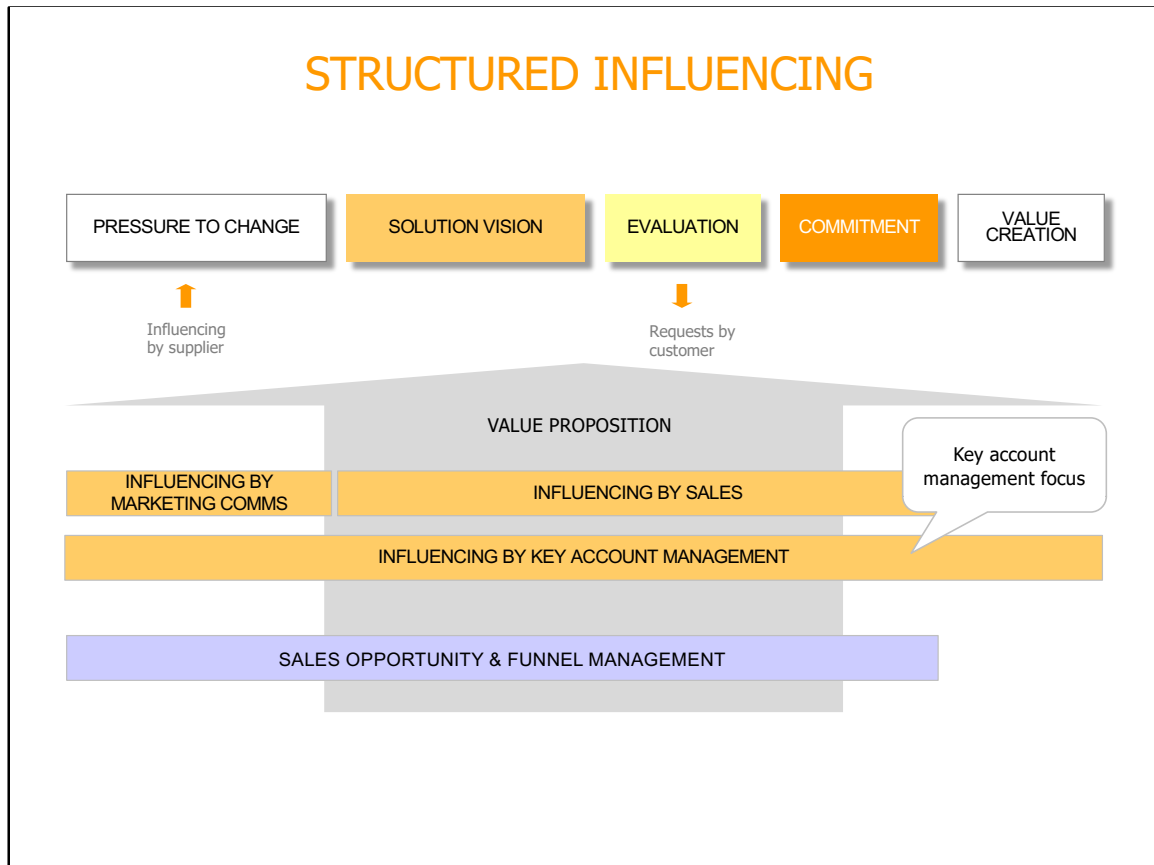
ARTICLE REVIEW

Managing the co-creation of value

Payne, A., Storbacka, K., Frow, P. (2008). "Managing the co-creation of value". *Journal of the Academy of Marketing Science*.

Adrian F. Payne · Kaj Storbacka · Pennie Frow

- What did you learn by reading the article?
- Prepare to share your thoughts



The objective of key account management is to create and develop the customer relationship. The purpose is create and identify improvement opportunities before the competition.

KEY ACCOUNT MANAGEMENT CYCLE



1. Account Management key objectives

- Doing business with existing customers is less expensive from cost-of-sales point of view, more predictable, more profitable and less risky compared to the new customer acquisition.

2. Customer segments / Relationship maturity

- How can we help the customer to improve their business?
- The level of our customer relationship develops over time from Product Vendor to Solution Provider to Business Partner to Trusted Advisor (strategic partnerships for mutual strategic value).

3. Account management models

- In order to exceed customer's expectations and do a profitable business at the same time, we need classify the customers into categories by their importance (often these categories are called A customers (strategically important customers), B customers (Key accounts) and C customers (customers, which we serve well and efficiently when the opportunity arises, but the sales are generally smaller, and we do not expect to do much repeat business with these customers))
- We define the "management model" for each of the customer categories, which takes the value of the relationship and cost of managing optimally into account. For example, the strategic accounts are often served by an account team, whereas the C customers are served by the sales organization

4. Internal planning

- We need a documented quarterly or yearly plan "quarterly cadence" of account development activities

5. Implementation of key account plans

ACCOUNT MANAGEMENT KEY OBJECTIVES

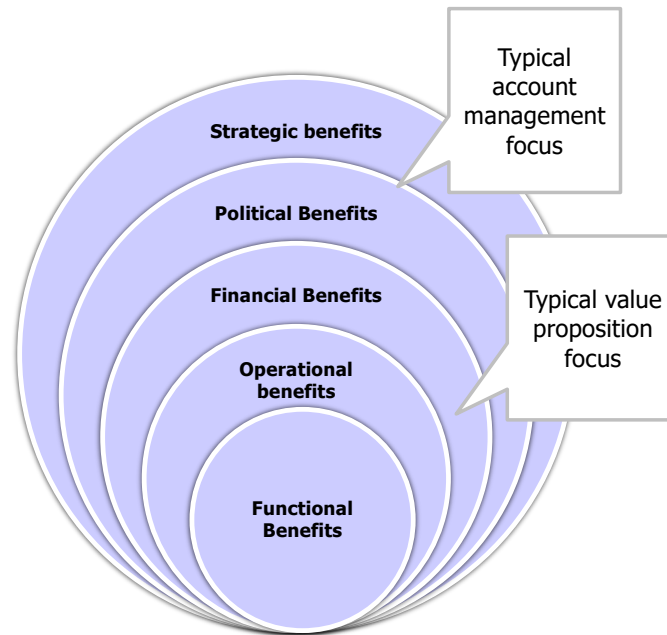
- Identify new opportunities without competition
- Improve forecasting reliability
- Sell with better margins
- Gain greater influence in the customer's planning and decision making process
- Coordinate customer relationship management activities
- Exceed customer's expectations profitably by delivering professional customer experience

→ **Differentiating by relationship**

"The primary goals of the key account management are to identify new business opportunities without competition, improve forecasting reliability, sell with better margins and gain greater influence in the customer's planning and decision making process.

To achieve these goals we need to widen and deepen our contact network to the influential individuals in the customer's organization by showing how we could help them to achieve their goals by our products, services, and capabilities."

HIERARCHY OF BUSINESS BENEFITS



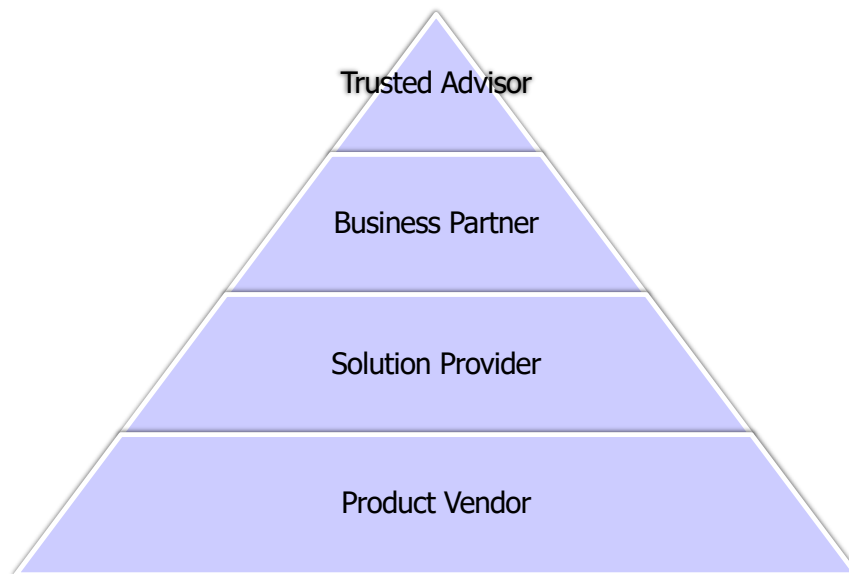
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often sellers and buyers are interested and focus on quite different issues. The hierarchy of business benefits describe the order of importance of the decision making criteria. The higher level benefits override and overrule the lower level benefits in the hierarchy. There are issues with greater significance than product functionality or price. The benefits can be organized into groups of growing importance as follows. (Moving upwards in the hierarchy answers the question "why", and moving downwards answers the question "how").

- **Strategic benefits:** If we can help the customer to gain strategic advantage by helping them to develop important competitive advantage, which in turn help them to win important new business, win market share, (make the CEO look good and impress the investors), we are highly likely to be successful.
- **Political benefits:** When organizations buy, the buying criteria can be broadly classified into three categories, a) product or service related functional and operational criteria, b) vendor related criteria and c) personal motives of the decision makers. The functional criteria are openly discussed and clearly listed in the Request for Proposal and similar documents. The vendor related criteria are sensitive, these relate to the relationship, reliability, competence, resources, reputation, financial stability and similar sensitive issues. The vendor related issues are most often difficult to discuss openly. The last category, the personal motives of the decision makers is the most secret and most decisive category in the decision making process. The personal motives of the decision makers may or may not be aligned with the organizations agenda, and in many cases the personal agendas are contradicting the official agenda. This is where the politics come into the picture.
- **Financial benefits:** Most often the industrial investment decisions are (at least partially) based on the Return-on-investment, Total cost of Ownership and similar hard and rational benefits, or at least these benefits are used to officially motivate the decision (whatever were the real motivator behind the decision!).
- **Operational benefits:** Examples of operational benefits are things like specific functionality, technology, integration to other systems the customer is already using, ease of use and similar product related benefits. These features have significance to the users, the customer's technical people. If the issues behind the purchase need are limited to a small number of people in the customer's organization, such as one department, the operational benefits may well be sufficient to decide the purchase.
- **Functional benefits:** At the lowest level of competitive differentiation are the features and capabilities products and service offer, which can then be used to address the needs the customer has. It happens fairly often that sellers are spending quite a lot of time focusing on showing and explaining product features.

LEVELS OF RELATIONSHIP



Trusted Advisor

- Trusted Advisor helps innovating strategically important business opportunities
- Trusted Advisor sells strategic benefits

Business Partner

- Partners help innovating business opportunities which in turn create needs to be cultivated to requirements and to be fulfilled by products and services
- Business partners sell political benefits
- The sales profiles at this level of relationship hierarchy are the Relationship Sales and Competitive New Business Developer

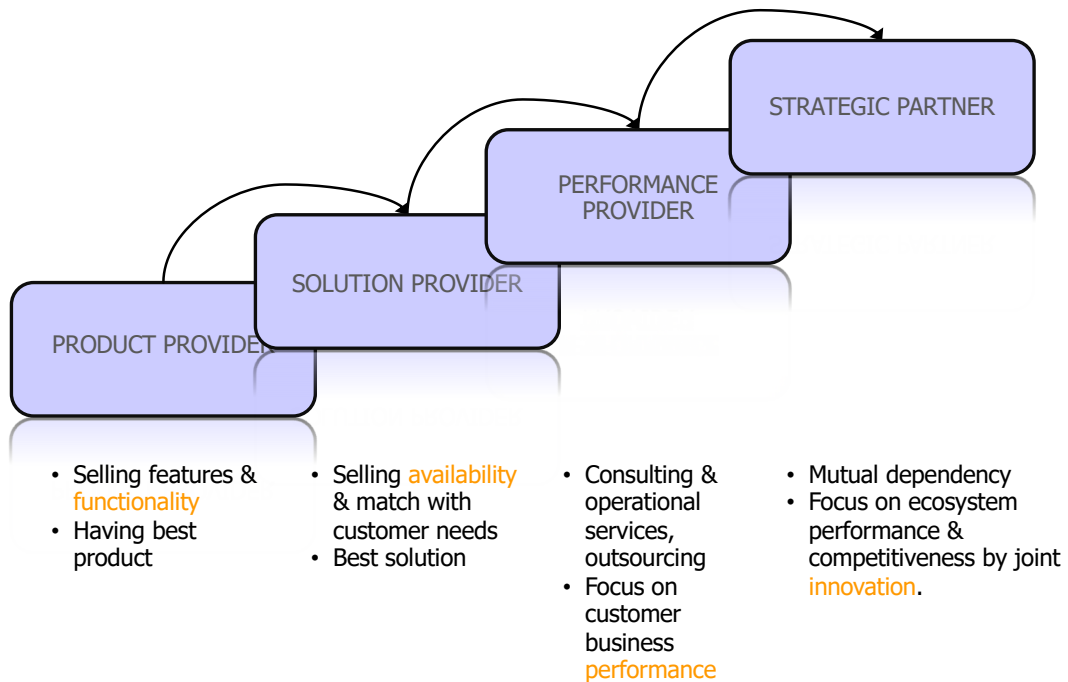
Solution Provider

- Solution provider help the customer to innovate solutions to needs of the customer. The solutions then define the explicit requirements
- Solution providers sell operational and financial benefits
- The sales profile at this level of relationship is the Solution Seller

Product Vendor

- Product vendor sells products and services to meet the explicit requirements of the customer
- Product vendors sell functional benefits
- The sales profile at this level of relationship is the Product Seller

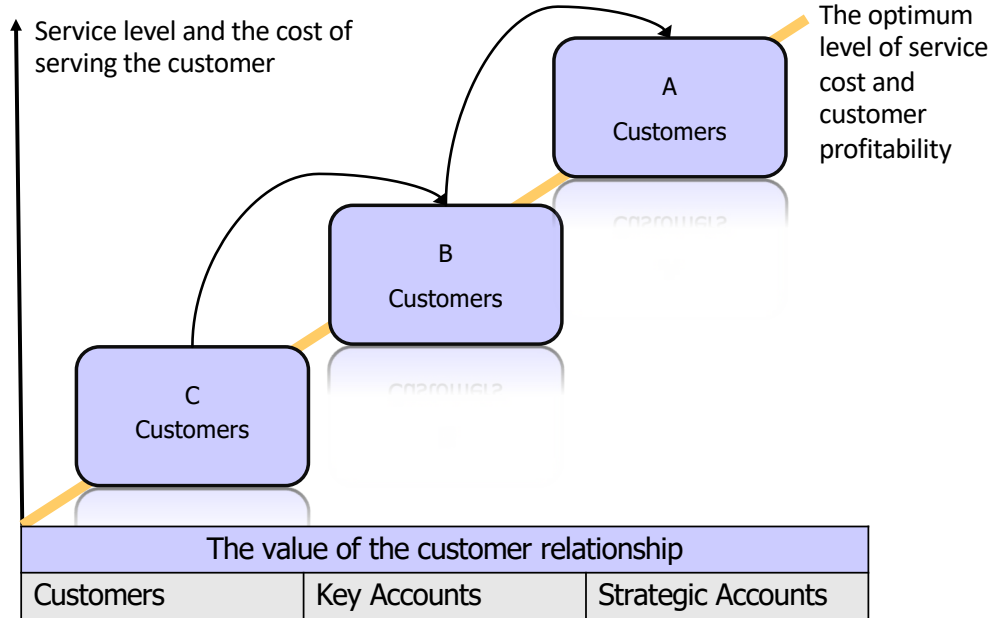
LEVELS OF RELATIONSHIP



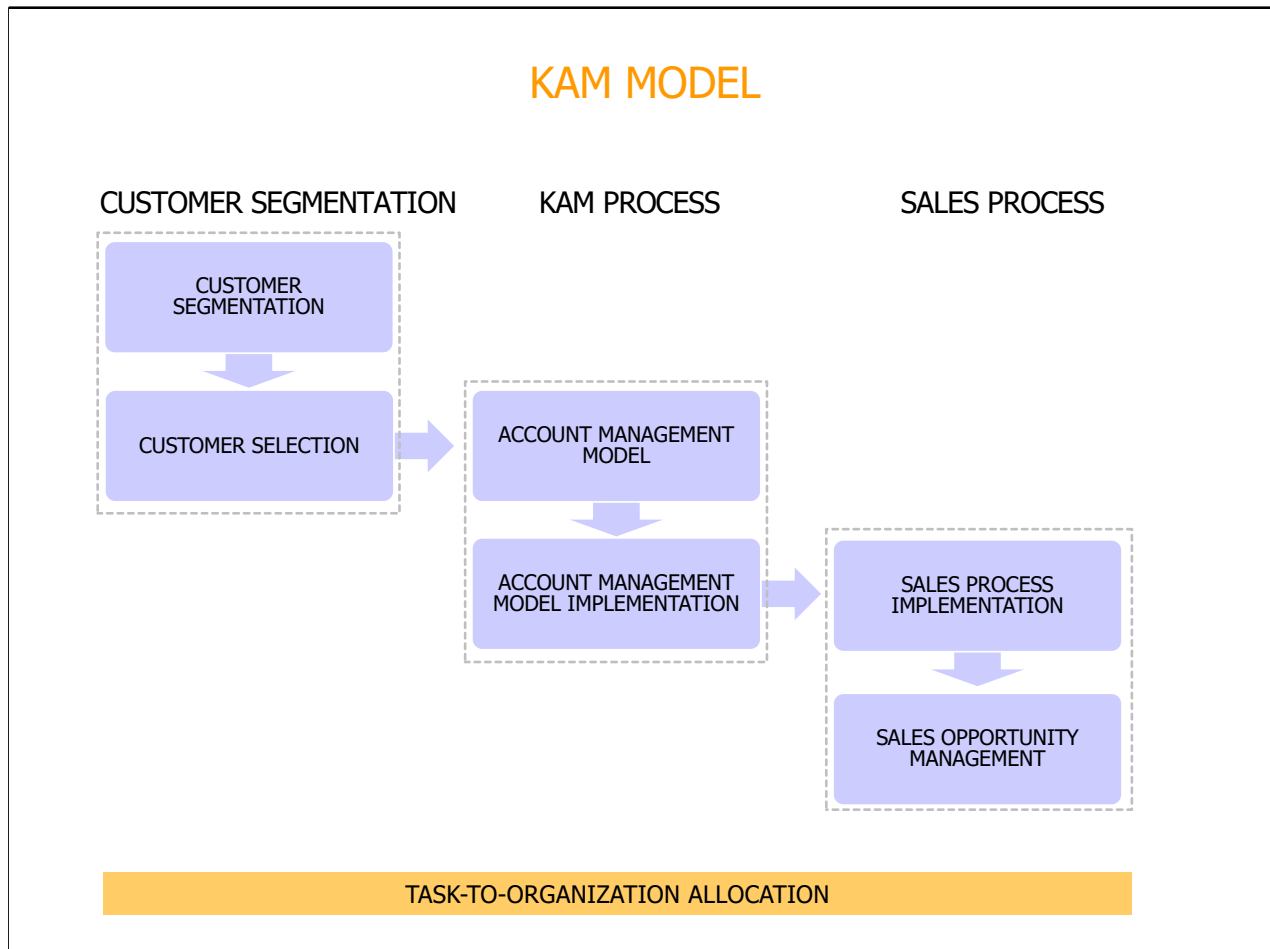
This drawing conveys a number of messages:

1. A starting point for a customer relationship is often a product (or productized service) which is easy to buy, and involves low risk for the buyer. Customer choice is based on product differentiators
2. Once the product differentiation is lost while market matures, the next step to differentiate is by moving to sell more comprehensive solutions, i.e. Product + services to ensure smooth operation of the product (maintenance, preventive maintenance etc.)
3. Once the solution differentiation is lost, the logical next step is to instead of selling tools for the customer to run a process, is to take over the process and sell performance instead. Different performance ensuring arrangements also belong to this category.
4. The final stage of differentiation involves mutual dependency and strategic cooperation to differentiate from other similar industry clusters for competitiveness.

ACCOUNT MANAGEMENT MODELS



One of key objectives with customer classification is to support the development of the service models to deliver quality service profitably. For the strategically important customers with higher revenue and higher expectations and needs, we need to and can afford to invest more in the service model. Often these customers are serviced by named teams. On the other hand, customers with infrequent purchases with focus on price, also need quality service with much lower budget.



1. Customer segmentation assigns customers into segments, defines customer selection criteria, and assigns a segment-specific management model to the segments.
2. Customer selection is performed against the criteria, and guides the KAM in building a sufficient base of information about key people and strategy to enable evaluating the customer selection criteria.
3. For identified a selected customers, a segment specific account plan is developed. The plan provides enough information for determining marketing and sales activities for developing the relationship toward the relationship goal.
4. The plan implementation focuses on the "influencing plan" actions, which are more extensive and expensive the higher the status of the customer in our segmentation is.
5. Once the KAM activities identify and qualify a lead, the sales process and associated management processes are applied (as we have learned before).

KEY ACCOUNT BUSINESS PLAN

Cu	Customer	<ul style="list-style-type: none"> Customer name and location
	Industry analysis	<ul style="list-style-type: none"> What are the business development goals, drivers, and challenges that our customer's industry is facing? Industry = the value chain/network of companies in which our customer belongs to
In	Customer analysis	<ul style="list-style-type: none"> Customer's strategic goals for the next year. (= How are their planning to respond to changing customer needs and competitive pressures? =
	Stakeholder analysis	<ul style="list-style-type: none"> Use the relationship map template to identify key stakeholders, their goals, specific challenges, and our proposed solutions to those challenges
Cu	Competition analysis	<ul style="list-style-type: none"> Use the attached template to identify and analyze key competitors
	Value proposition	<ul style="list-style-type: none"> What is our value proposition for the customer that addresses the goals and overcomes the challenges? Implement the systematic customer value research process to identify improvement opportunities and formulate those as value proposition(s)
St	Opportunity analysis	<ul style="list-style-type: none"> What the key opportunities identified? (= what are our solution proposals to the identified challenges?) Use the attached template to document the opportunities These are ideally tracked in a CRM system
	Influencing plan	<ul style="list-style-type: none"> What are the key actions planned to influence the key stakeholders awareness, sense or urgency, solution vision, and preference at the different stages of their decision making? Use the attached Influencing template to document and track the actions
Competition analysis		<ul style="list-style-type: none"> use the attached template to identify and analyze key competitors
Value proposition		<ul style="list-style-type: none"> What is our value proposition for the customer that addresses the goals and overcomes the challenges? Implement the systematic customer value research process to identify improvement opportunities and formulate those as value proposition(s)
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INFLUENCING PLAN

- The influencing plan combines the target audience, the channel and the message (such as reference story) and the objective of the action to a collection of thought-out marketing and sales actions
- Ideally, the influencing plan is designed to move the customer through the sales process

Target person / group	Message	Channel	Goal	Buying process stage
Business owner	Topical Business issues	Marketing communications by email	Create awareness	Pressure to change
All stakeholders	Discussion on topical business challenges	Geographical roadshows, expert meetings	Identify GAP and create urgency	Pressure to change
Business process owner	Value research / Process audit	Workshop	To create interest and urgency by performance benchmarking	Pressure to change
Champion	Case stories, case interviews	Meetings, email, conferences, ...	Build solution vision	Solution vision
Budget owner	Share PoC results	Workshop	Create commitment by showing results	Search & evaluation

The plan includes sales and marketing actions to target influential people with impactful messages, delivered via efficient communication channel and targeting a specific outcome

1. Who are the key stakeholders to influence?
2. What is our value proposition to those people?
3. How do we reach out for them effectively, and cost effectively
4. What is the planned outcome of our action? How do we measure success of the action?

The first objective is to identify the prospects with the highest likely need for the firm's products and to then develop targeted messaging to help inform and educate prospects on what the company has to offer. An enterprise delivers those messages via a variety of methods: direct marketing, digital marketing, telemarketing, et cetera. If the prospect is ready to act, the lead needs to be quickly routed to the right sales resource.

Second, if the prospect is interested but not ready to act, the lead needs to be placed into a formal lead-nurturing program to cultivate the prospect's interest until the time is right for the buyer to consider the vendor's offerings.

Finally, throughout the life cycle of an opportunity the disposition of all leads needs to be tracked so that intelligent decisions can be made regarding what messages and marketing programs are the most effective and which are not. The task can be complex--to successfully optimize lead generation programs, companies will need to blend business process redesign, target-marketing methodology innovations, demand generation and CRM technology, and improved program performance analytics.

It's no small undertaking, and sales and marketing executives may well wonder if the investment of time, resources, and money is worth it.

-Jim Dickie , partner with CSO Insights

INFLUENCING PLAN ACTIVITIES BY SEGMENT

ACTIVITY	OWNER	SEGMENT A	SEGMENT B	SEGMENT C	SEGMENT D
Newsletter		X	X	X	X
Customer magazine		X	X	X	X
Personalized messages		X	X	X	
Frequent meetings		X	X	X	
Invitations to seminars		X	X	X	
Named key account manager		X	X		
Social events		X	X		
Joint planning		X	X		
Management meetings		X	X		
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This table shows an example layout of how the different influencing activities are allocated to different customer segments.

The activities are allocated on segment based on their cost and based on how much we can afford to invest in a given segment.

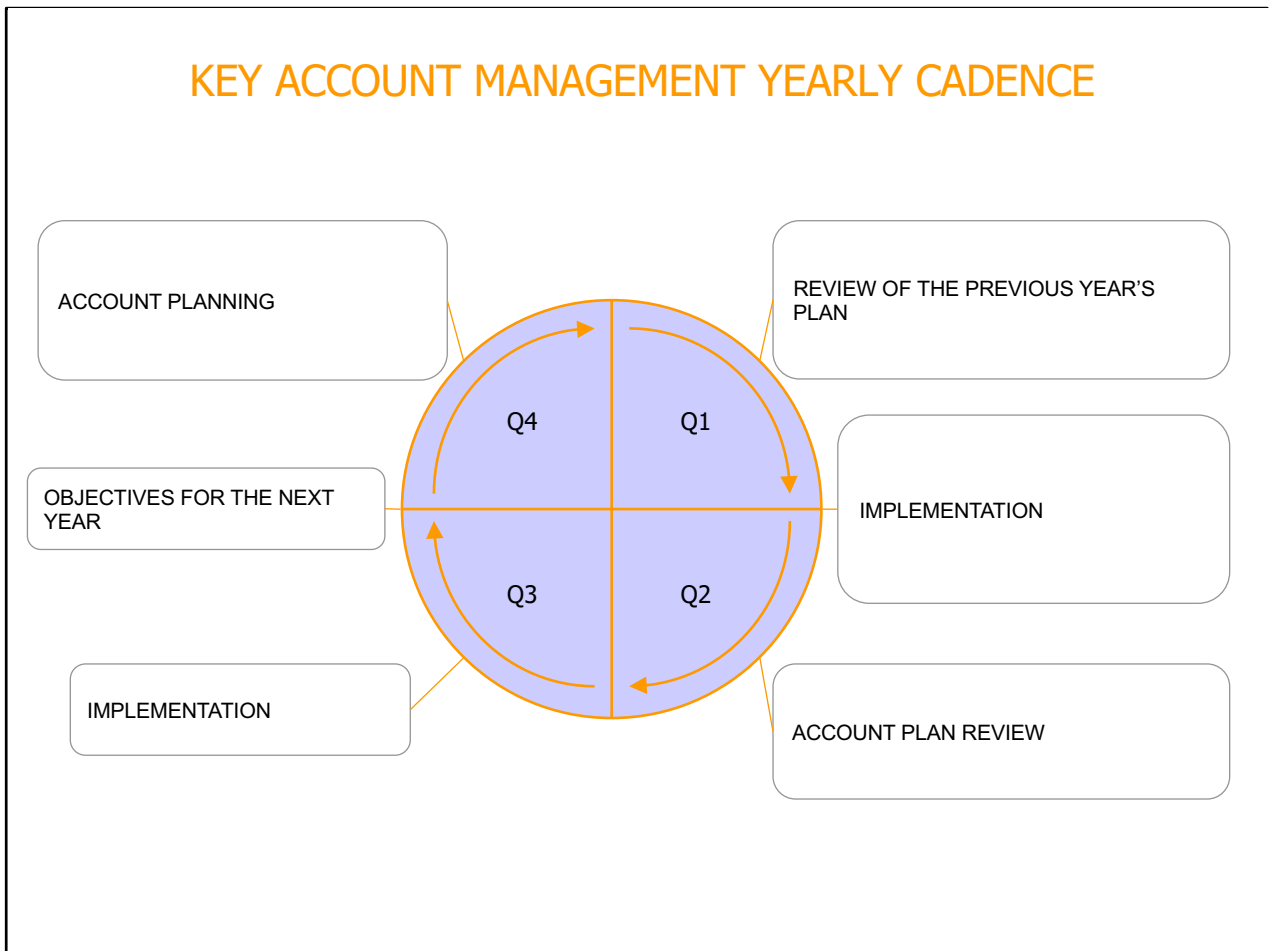
SALES PLAN

CUSTOMER	Customer name
RELATIONSHIP MAP	A relationship map of customer key people, who are active in this sales opportunity
CUSTOMER GOALS, CHALLENGES, VISION, AND ACTIVITY PLAN	What do we know of customer and key people's goals? What challenges have they identified that prevent them from achieving those goals? What is customer's solution vision (if any)? What is customer's plan to progress the case (if any)?
SOLUTION PROPOSAL	What is our solution proposal? What are the deal characteristics? Deal size, profitability, timeframe, ...
SOLUTION VALUE FOR CUSTOMER	What is our value proposition for the solution we are proposing?
OPPORTUNITY ASSESSMENT	Periodic evaluation of the opportunity against the opportunity analysis framework (by using the opportunity management process)
ACTIVITY PLAN	What is the next step? What has been agreed with the customer? (activity plan)

The sales plan describes the essential elements of an opportunity (previously also called "opportunity profile"). As you can see, the sales plan:

1. Documents the outcome of the sales process (what information are we looking for while selling)
2. Uses the relationship map as an opportunity-specific tool
3. Connects to the opportunity management process
4. Connects to the activity plan sales tool

KEY ACCOUNT MANAGEMENT YEARLY CADENCE



This example schedule provides a typical alternative to arrange the review and implementation of a key account plan.

Together with the sales funnel and sales opportunity management processes, the key account management yearly cadence establish the key sales management processes.