



# HOW TO MANAGE YOUR KEY ACCOUNTS MORE EFFECTIVELY

THE JF WHITE PAPER SERIES



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## **Introduction**

Most companies are looking for ways to manage their most important business relationships more effectively and more efficiently. It is not easy to do and it is not always enjoyable to do, but when a key account works well, it is extremely satisfying. Key Account Management is a broad subject and this paper is designed to help make the management of key accounts:

- Easier
- More Enjoyable
- More Effective

## **Starting Point**

There are many definitions of key account management, but our favourite - and one we have used throughout our work - is from The Financial Times:

*"The art of developing long-term relationships with selected customers"*

It is simple, clear and it shows us what is important.

**Jonathan Farrington**

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This summary looks at each part of our definition - i.e.

- KAM is an art, not a formula
- It is a process of development, not a single action
- It is a long-term process - it takes time
- It involves relationships - not just a mechanical approach
- It can only be done with selected customers

### **KAM Is An Art Not A Formula**

One can often see two ways of managing key accounts that are certain to fail. The first is management by chance - there is no control and there is no plan. No one can explain why we are winning the business or forecast how long our success will last. We do not learn from our mistakes or from our successes. This is at one extreme.

***Key Account Management is not a single act, but a series of actions which link together to produce a powerful, professional and profitable result.***

At the other extreme is management by formula. Here everything is documented, controlled and decided. I have seen one account planning process which demands that for every account, the team must hold a one day orientation meeting, then gather information for twenty-one working days and finally, hold a two-day planning session. The timescale cannot be changed. The people who must be present never change. The documents that must be prepared are described in detail. The process is a good one, but it leaves no room for flexibility, common sense or the differences that exist both between accounts and departments.

We need a way of managing key accounts that is effective, consistent and flexible. We need a way of working that is simple but strong. We need discipline and we need creativity.

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So, how is Key Account Management like an art?

**Artists need discipline. Think of the discipline of a dancer or a singer, they know that they work best if they create inside disciplines of their art.**

#### **Discipline**

Artists need discipline. Think of the discipline of a dancer or a singer, they know that they work best if they create inside disciplines of their art. A poet follows certain rules of rhyme and structure and a painter knows the disciplines of colour and line.

#### **Practice**

Every artist expects to practice. The painter sketches, trying different compositions, the actors rehearse until the words are coming perfectly, the dancer works at the bar to keep fit and to perfect every movement and musicians play the piece over and over again. The performance often looks easy, but we know that it took a great amount of work.

#### **Creativity**

Discipline and practice alone will not make an outstanding artist. There needs to be a 'spark' - something special that allows the artist to see what many others miss and to communicate their understanding powerfully and clearly. The artist allows us to see and hear things differently.

Managing a key account needs all three parts. **Discipline** helps us follow the plan, to be self-controlled. **Practice** means that we do not expect to be perfect overnight - we think and plan and prepare for every important "performance". **Creativity** allows us to change the past, to find new ways to solve problems and to win opportunities. If we think of Key Account Management as an art, then we will avoid the two dangers of working randomly and rigidly.

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It is a process of development, not a single action. Development is a process. Key Account Management is not a single act, but a series of actions which link together to produce a powerful, professional and profitable result.

***Many organisations do not know who their key accounts are. Certainly many of the people who manage the relationships do not know.***

There are two ways of looking at this process. One is to examine each element of Key Account Management; the other is to create a model which can be applied flexibly, but effectively, across a range of situations. We will first look at the elements of Key Account Management. We created this approach for a major institution that wanted to break down the different elements of the process to be sure they were doing everything as well as possible.

### **Identify**

Many organisations do not know who their key accounts are. Certainly, many of the people who manage the relationships do not know. Even if they know, very few people understand why this customer is a key account, but that one is not. A quick way to test this is to ask ten people in your organisation who your ten most important accounts are. You can be sure that you will receive more than ten answers. In one company we worked with, we received 56 different answers from 10 senior managers! The clarification of key accounts has been a critically important part of our work with a number of the organisations with whom we have worked.

### **Understand**

We need to understand our key accounts better than our ordinary customers. We need to understand the world they work in - the challenge of their markets, the competition they face etc. We need to understand the individual projects (be it fighting to win new business or managing an existing project for maximum profitability).

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Key Account Management involves understanding who takes decisions and how, who are our competitors, how does our offering impact on the customer's business? Those who manage need to keep developing their skills of questioning and listening, of networking and analysing.

***It is good to plan, understand and influence, but our business will depend on our ability to deliver what we promise.***

#### **Plan**

If a customer is worth being called a key account, then they are worth a plan. It is of course possible to sell successfully in an unplanned way, there are always opportunities to be seized by chance. But if we are serious about developing a long-term relationship and if this customer is really important to our success as a business, then we need to plan. We will look later at

two types of planning. One of the most encouraging spin-offs in our work with clients is when we see the emergence of succinct, professional business plans for key accounts that cascade down into satellite plans for other parts of the business.

#### **Influence**

There are many people to influence. We need to influence technical people and commercial people; we need to influence our customers, their clients and our colleagues. The key account manager often has little authority to tell people what to do - instead, he or she needs to influence and persuade.

#### **Deliver**

It is good to plan and understand and influence, but our business will depend on our ability to deliver what we promise. This is often seen as the responsibility of customer service, but in fact the whole organisation needs to be committed to delivering what the customer needs, the right quality, at the right time - and to do it in such a way that the customer feels good about it.

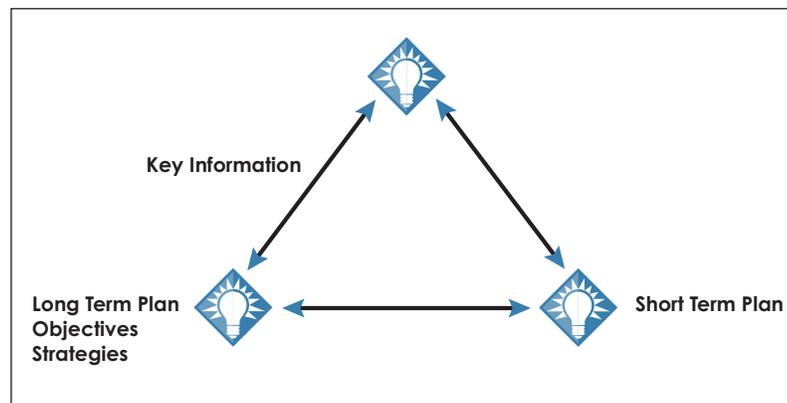
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## Manage

Any key account needs managing, because success does not just happen. By manage, I mean completing all those actions, which make things go smoothly. It may be arranging a regular review meeting with the customer, or training the account team to understand the customer better, or handling problems, or managing complex projects. If we work hard on all six areas of account management and if we gain the trust of our customers, then we will greatly increase our chances of long-term, sustainable success.

The second way of looking at the development of key accounts is to use the JF Key Account Management Model.

There are four parts to the model. Each part influences and is influenced by the other parts:



**Key Information** tells us what we need to know about the key account



**The Long-Term-Plan** allows us to gain a clear picture of where we are trying to go (Objectives) and how we plan to get there (Strategy)



**The Short-Term-Plan** concerns the actions we must take over the coming weeks



**The Traffic Lights** give us a quick, accurate picture of our current position and how we should move forward

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**There are twin dangers about information in key account management: Too little information and too much information of the wrong sort or that is difficult to access.**

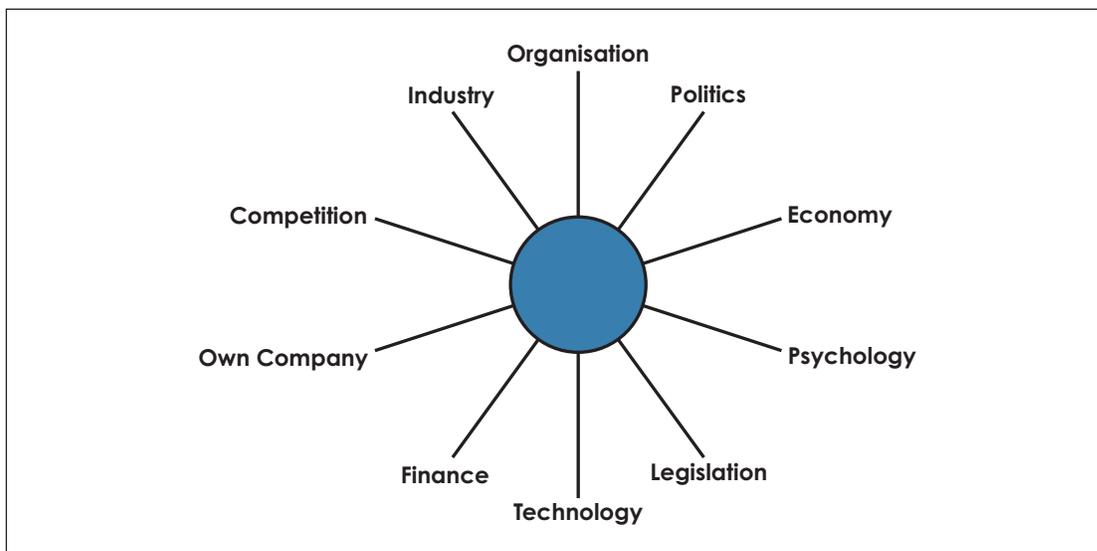
**Key Information**

As the Chinese general Liu-Ji wrote over 600 years ago: *“Action always starts with calculation. Before fighting, first assess the relative wisdom of the leadership, the relative strength of the enemy, the size of the armies, the lie of the land and the adequacy of provisions. If you send troops out only after making these calculations, you will never fail to win.”*

There are twin dangers about information in key account management: Too little information and too much information of the wrong sort or that is difficult to access.

We have found it most effective to break information down into three broad areas: **Global**, **Corporate** and **Project**.

**Global** information looks at the big picture, the world in which the key account operates.



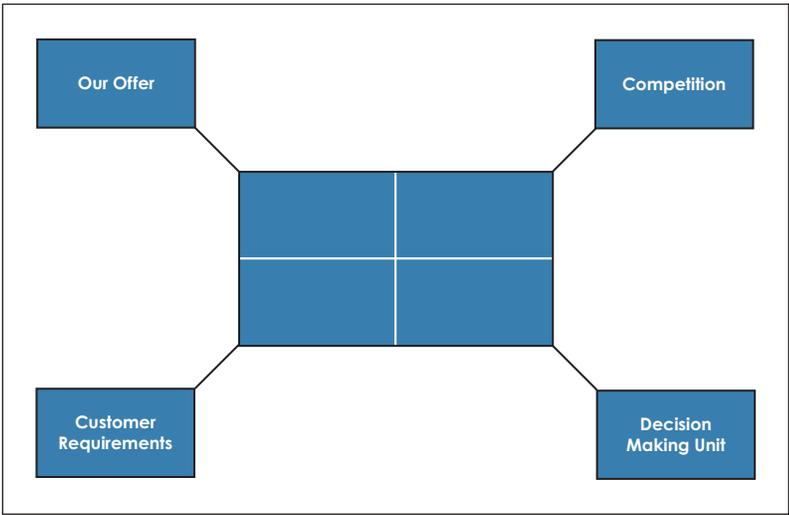
Corporate information is about understanding the business you are dealing with. It is a broader, more commercial picture than the selling information. Many people, who do not think in key account terms, will feel this is not needed - and ignorance, in any of these areas, creates a potential “banana-skin”.

**Corporate Information:**

- Culture - " The way we do things round here"
- People
- Finance
- Future
- Structure
- Relationship
- Markets
- Activities
- Commercial Objectives

The third level of information is Project Information. This is the information we need in order to be able to sell a specific product, service etc. to the key account. It is the information which a good key account salesperson should be gathering all the time.

These three levels of information will ensure that we understand both the big picture and the detail.



## The Long-Term Plan

This divides into two parts. We need to have a clear set of objectives and we need to have a strong set of strategies.

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### **Objectives**

For a long time, the only objectives I used for key accounts were very specific business objectives. “We will increase turnover by X%” and “We will introduce two new programmes and increase our profitability by Y%”. I began to understand that these business objectives were not enough. Multi-level objectives has proved very powerful in winning and keeping business.

There are four levels of objectives. And together, they create objectives that excite and motivate the team and which are also very practical.

First, we set **visionary objectives**. We picture what the result could be if everything went well. We discipline ourselves not to be limited by history or today’s issues. The outcome is a very strong vision of what the account could be like in two or five or ten years.

Secondly, we set **relationship objectives**. Everyone in the account team needs to know what we want the relationship to feel like. Imagine you could hear your customer talking about you in two years time - what would you want to hear them saying? It might be statements like: “we trust them completely”, “They always give us new ideas”, “Things do not go wrong often, but when they do, they always make things right quickly.”

We have found that these relationship objectives help us do everything in the way we should and in the way the customer wants. In the past, it was more difficult to be consistent and customer-centred.

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So far, we have talked about quite “soft” objectives - how we want things to feel. The first two objectives are about emotion and imagination. We need some “hard” objectives as well. The third level is the level of **business objectives**. These objectives are specific - very clear: “By the end of this year, we will have increased sales of product A by 25% on the last year’s volumes and maintained our profit margins.” They are also measurable (if we cannot measure them, how will we know how we are progressing?). They must be agreed within the account team and maybe even agreed with the customer! They must be realistic - other people will be depending on our forecasts. Finally, they must have a time-scale. Those business objectives provide the strong disciplines that we need to know, in order to understand whether or not we are succeeding.

The final level of objectives is the level of stage goals. We may say that we will achieve a result of X by the end of year 2 within the key account. If this is to happen, we need to be planning where we should be at important dates (See overleaf).

If the objective is to be selling five products to the customer by the end of next year and we’re selling two today, we probably need to plan to have three in place by this October, four in place by next March and five by next September. The stage goals make sure we are on target and allow us to solve problems before they become impossible to solve.

***If objectives show us where we are trying to go, strategies show us how we can plan to get there.***

We have found that using these multi-level objectives helps to motivate each key account team member, but can also help us significantly increase the amount and quality of business being done with key accounts.

**Strategies**

If objectives show us where we are trying to go, strategies show us how we can plan to get there. Strategy is part of the long-term plan.



It is not too detailed. It focuses on ways of working, not the detail of what will happen in this or that sales call. When setting these strategies, we have found it useful to ask three questions:

- What strategies do we need for this key account?
- What should each strategy say?
- How do we communicate them so that each member of the team is committed to them and carries them out?

### **The Short-Term Plan**

It is important to think long-term in key account management. But, there is a danger that we spend all our time analysing and planning and never do anything! The short-term plan keeps us active and effective.

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The long-term plan is concerned with **why** (objectives) and **how** (strategy). The short-term plan focuses on **who** does **what, when**.

The timescale for the short-term plan will vary from business to business, but many organisations find that a rolling three month plan reviewed monthly is very effective. This means that, late in April, you plan events for May, June and July. Late in May, you plan for June, July and August etc. The first month is usually in detail, the second two months are more in outline.

The short-term plan should focus not only on matters that are very urgent, but also on those actions which are important, but are not urgent. These might include making more contacts in the key account - introducing colleagues, gathering information etc. The short-term plan helps ensure that the important things get done efficiently and effectively.

## Traffic Lights

The fourth and final element of the key account model is the 'traffic lights'.

This is a simple but powerful way of analysing any customer situation.

- What are the factors that are in your favour? E.g. Product is approved, strong personal relationship - these are the green lights.
- What are the factors that are absolutely against you, that stop you achieving an objective? E.g. Kicked off preferred list, operations manager swears not to use you until xyz improves - these are the red lights.

### ***We must recognise that we are in Key Account Management for the long-term.***

- What are the factors which could go either way? E.g. Change of Financial Director, they buy a new company - these are the amber lights.

This simple approach has proved highly effective, even in sophisticated organizations that needed an easy way of talking about the situation in their key accounts.

## **KAM Is a Long-Term Process - It Takes Time**

We must recognise that we are in Key Account Management for the long-term. It takes time to manage a key account, and we will only receive a payback on our investment in time if we can have a long-term result. In some of the organisations we have worked with, this produces a tension because the whole culture is about creating a short-term sales result in which product and profit are the main drivers and measures of success. We should not underestimate what a challenge Key Account Management can be to the corporate culture. It emphasizes relationship more than product, profit more than volume, team more than individual, long-term more than short-term. At the same time, the practical short-term realities of business life need to be recognised.

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***The role of the key account manager is to be responsible for the overall relationship. They influence all those involved in the account to ensure a coordinated, synchronized approach.***

One of the best ways of managing this tension is to have someone who acts as a mentor, conscience or guide to the account manager and account team. They are not involved in the day to day management of the account, but are invited in to look at and comment on major proposals and presentations. Their main role is to be involved in reviewing the long-term plan, every few months, to ensure that the relationship is as productive as possible and is reflecting the values of the organisation as a whole.

The role of the key account manager is to be responsible for the overall relationship. They influence all those involved in the account to ensure a coordinated, synchronized approach. The key account manager is responsible for drafting the account plan, gaining the agreement and commitment of the team and then monitoring implementation.

### **KAM Involves Relationships - Not Just a Mechanical Approach**

Under this heading, we should discuss three main aspects of key account management:

- The importance of relationships in Key Account Management
- The complexity of relationships in Key Account Management
- Mapping relationships in Key Account Management

### **Importance**

In Key Account Management, it is essential that we manage people as well as processes. Of course, we must get the product pricing right. We need to be excellent at administration. Our customer service and product range need to be strong. But, “people buy from people” and “we are in a people business”. To manage the complex range of relationships within a key account is difficult and demanding, but our ability to manage relationships will define whether or not we sustain success.

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## **Complexity**

In a reactive sale, there is only one relationship - that between the seller and the buyer. In key accounts, the situation is much more complex. There are often contacts going on at many levels and many locations. In one key account, we have identified 1000 relationships between the account team of ten people and individuals representing the client. But it is not just a problem of numbers - it is often a problem of politics. Some contacts do not want us to talk to people in other departments or at different levels. It can also be that the complexity is caused by product range. The users of one product rarely speak to the specifiers for another product. In any complex relationship, some people will like us more than others. This is to say nothing of inter-departmental tensions. All these things make key account relationships complex and we need to recognise their complexity.

***If relationships are important and if relationships are complex then it is essential that we find a way of mapping, analyzing, planning and monitoring those relationships.***

## **Mapping**

If relationships are important, and if relationships are complex, then it is essential that we find a way of mapping, analyzing, planning and monitoring those relationships. Over recent years, we have found that an approach based on the game of chess allows a very practical way of identifying the key issues.

If we can answer these questions confidently and communicate our thinking across the account team simply and clearly, then we will be half-way to success. This approach has given people, across a broad spectrum of organisations, a common language and way of working.

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## **It Can Only Be Done With Selected Customers**

The final word from this definition is **selected**. Choosing the right key accounts is of critical importance for three main reasons:

- We do not have the resources to treat every customer as a key account
- Not every customer wants to be treated as a key account
- Selection allows us to prioritise our activities in line with our overall business objectives

***The analogy of an airline is a good one because on one flight you can have people on standby being entirely happy with the service they are getting, even though they know there are people getting "better" service in Club Class.***

Many organisations grade their key accounts simply by the size of sales for the year, but the organisations we see that are really moving forward in Key Account Management take a number of other factors into account. They also make sure that everybody knows who the key accounts are and why they are key accounts. It is important to be selective with the selection criteria you use! You will also need to apply some form of weighting to reflect your priorities. The fact that a key account does not meet all your criteria will not disqualify it from being a key account - it will just need to score higher in other areas to qualify.

On the basis of this scoring, organisations can grade their accounts. They might be Premier, 1st and 2nd Division - like a football league, or Gold, Silver and Bronze - like Olympic medals or First Class, Club Class, Economy and Standby - like an airline. The analogy of an airline is a good one, because on one flight you can have people on 'Standby' being entirely happy with the service they are getting, even though they know there are people getting "better" service in Club Class. Grading your accounts is not a matter of giving some customers "Better" or "Worse" service, it is a matter of giving **all** your customers appropriate service. When we select our key accounts and consistently deliver what we promise, we are managing our accounts professionally and effectively.

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## **In Summary - Success Factors in Key Account Management**

### **Successful Development Of The Role**

- Effective working relationships with other members of the team
- A continuing drive to improve account team productivity
- Management commitment to the account team's role with opportunities for career progression
- Re-enforcement of the role through authorized career structures, job descriptions and core training programmes

### **The Key Skills**

- Understanding the financial and legal requirements of the account
- Understanding of the company's business objectives
- Understanding of the company's commercial policies
- Build high levels of product awareness
- Understanding of the customer's business objectives
- Identify the decision makers
- Understand the customer's purchasing strategy
- Assess competitive activities
- Put together an account development plan
- Ensure effective sales order processing
- Build the right levels of revenue and profitability

### **The Core Skills**

- Delegation
- Interpersonal skills
- Consultancy
- Financial control & analysis
- Project management
- Man management
- Initiative & creativity

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### **The Secondary Skills**

- E.g. Industry knowledge, competitive knowledge, product knowledge etc.

## **Success Factors in Key Account Development**

### **The Stages Of A Long-Term Process**

- Pre-sales
- Contract negotiation
- Implementation / Delivery
- Review
- Exploitation

### **Objectives For An Account Team**

- Ensure that the customer is presented with a coherent and professional image of your Company as a business partner.
- Secure a long-term business relationship with the customer as the basis for growing business.
- Penetrate the customer's organisation and decision making unit, creating new opportunities that can be exploited to accelerate account growth.
- Understand and document, on an ongoing basis, the customer's strategic business direction and overall organisation.
- Provide the company's senior management team with feedback on the long-term growth potential, in the customer's market sector, and on critical success factors for exploiting it.
- Ensure that the company's solutions are technically solid and based on a proper understanding of the current requirements and reinforce the customer's perception of the benefits of the company's market focus.
- Ensure that the company's total resource is delivered in a way that satisfies customer requirements and supports the objectives of the account plan.

## Conclusion

***One of the successes of the Key Account Management programme has been the creation of common models and language that facilitate discussion and planning across units and departments.***

An effective Key Account Management strategy depends on selecting your key accounts intelligently, creating a strong, consistent, flexible way of working with both key accounts and other customers and then implementing the plan in a disciplined, effective, efficient manner.

One of the successes of the Key Account Management programme has been the creation of common models and language that facilitate discussion and planning across units and departments. It has also stimulated a commitment for our clients to plan long-term for key relationships. Key Account

Management has many implications for individuals, departments and the business as a whole. It will always be demanding, but done right it will be highly rewarding.

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Prior to that, he earned his spurs in some of the most demanding and competitive market sectors – i.e. IT, Telecommunications and Finance. Outstanding achievement at an early stage in his career provided a ‘fast-track’ passage to several board level appointments, working with a number of the largest and most successful international corporations including: IBM, Wang, Legal and General, Andersen Consulting, Litton Industries and The Bank of Tokyo.

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