



Strategic Account Management, Part I: Opportunity and Challenge

Summary

Most companies reach a stage of development when effective sales practices have brought the company to a threshold in revenue, growth rate, and customer base. Executives begin to ask, “How do we take our company to the next level?” and “What strategic moves will bring about revenue sustainability and higher margins into the future?”

For many, strategic account management offers a clear pathway to sustainable growth and competitiveness through enhanced engagement with key customers.

Strategic account management or “SAM” can be defined as the coordinated practice of identifying a select few strategic customers, gaining a deep understanding their business needs, and then orienting your company’s functions, operations, and even structure to serve the customers’ end goals. In latter stages, top executives use the knowledge and intelligence gained through that process to make better strategic decisions. The company becomes more competitive. Pathways for sustainable future growth begin to emerge.

SAM occurs outside of the normal sales cycle and has many variations and degrees of sophistication. Sales forces taking the first steps into consultative selling, increased customer intimacy, analysis of customer needs, building trust, and the coordination of various functions (marketing, product development, finance, or service delivery, for example) to serve customer needs are moving toward SAM.

The practice of SAM goes by many names (and acronyms), including key account management (KAM), national account management (NAM), large account management (LAM), and global account management (GAM).

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Notes

Core Issue

Sales effectiveness and cost efficiency will take a company only so far, so what else can be done to ensure long-term revenue growth, price stability, and higher margins?

Answer

In this era of prolific information and commoditization, strategic account management is a corporate initiative that offers a pathway to sustainable growth through dedicated relationships with strategic customers outside of the sales cycle.

A strategic account manager is prepared to discuss every aspect of the customer's business and consider any pathway to helping the customer achieve defined objectives, even if it means having to shake up his or her own sales organization. Salespeople who continue to serve a sales function within the normal sales cycle and who also have the "strategic account manager" title are probably not practicing true SAM.

For the SAM approach to be most effective, management up to and including the CEO and Board of Directors must acknowledge the initiative and support the changes that will occur.

Commentary

Opportunities

Most companies have completed all of the cost-cutting that they can in these recessionary and post-recessionary times. Implementing SAM is one of the few ways to stabilize revenues for the long term and, more importantly, to find new strategic directions that result in new markets and higher margins.

Strategic account managers gain a deep understanding of the customer's value creation process. They use this knowledge, with the full support of top management, to align their company's functional and business unit processes to serve customer needs. SAM goes beyond enabling a strategic account manager to serve the company's very important customers. It is a corporate initiative that offers several opportunities:

- *Fighting Commoditization.* The SAM process requires the strategic account manager to learn about the customer from the customer. Here in the Information Age and Internet Age, there is no better way to gain information that is essential to serving customer needs and making strategic decisions about your company. These decisions can help your company avoid commoditization.

Today, your competitors possess all the same knowledge that you have regarding markets, industries, trends, tools, talent acquisition, and in many other areas. But the strategic account manager has a direct pathway to a better set of knowledge—customer knowledge. When gained directly through a strong relationship and analyzed effectively, customer knowledge could be the only remaining way to gain leverage and avoid commoditization.

- *Better Organizational Structure.* Implementing SAM means gaining a deeper understanding of customers. Most companies are structured according to industry norms, current organizational models available to anyone, and/or the advice of consultants. So, where can you find knowledge about how to organize that others do not have? It begins with your customers. The strategic account manager is in the best position to tap into your customers' organizational preferences.

Understanding and serving the resource needs of your strategic customers may be the best way to organize and allocate resources within your own company.

- *A More Effective Sales Force.* Companies take full advantage of SAM when they use the knowledge gained from strategic customers for more than just serving the account at hand. They bring the knowledge back

into the company, and then analyze and use it. ESR has written about the benefits of equipping salespeople with customer knowledge. SAM offers an opportunity to deepen that knowledge throughout the sales force. The entire sales operations team has a role to play in gathering, analyzing, presenting, and communicating information in such a way that salespeople can use it.

- *Solution Selling.* Although it is outside of the normal selling process, SAM will nevertheless help salespeople deepen their ability to sell solutions. Knowledge gained from strategic customers will transfer to the process of finding new prospects and closing new deals through solution selling.
- *Negotiation and Price Stabilization.* Knowledge is the tool for effective negotiation and price. A SAM program brings in knowledge directly from your most strategic customers. Prices must be viewed in relation to the supplier's competitors. Through SAM, your company establishes a direct channel to its own best customers, who have most likely also been approached by the competition. Direct customer feedback obtained by a skilled strategic account manager helps the company understand its own differentiators, as well as the product and service areas that have become commoditized. In future negotiations, the company can use this knowledge to build negotiations upon actual product and service differentiators in the marketplace.

Challenges

Choosing the right customers as strategic. SAM is about the future. Selecting a customer for your SAM program means placing a bet on the future. The customer selection process is perhaps the most important element of launching a SAM program.

Many companies first falter when they stretch their SAM programs too thin by designating too many customers as strategic. SAM relies on depth of knowledge and intimacy with a customer that actually is strategic to your company.

As a starting point, look at your company's ratio of customers to percentage of revenue, says Steve Andersen of Performance Methods Incorporated. If ten of your customers account for 95 percent of revenue, then they are all likely candidates for the SAM program.

They may not, however, be your best candidates. Scrutiny beyond revenue generation is necessary. If one customer comprises a high proportion of revenue but exists in a highly-commoditized industry and has never shown interest toward innovative solutions, then perhaps that company should not be designated as strategic. Find other ways (perhaps through RFP response and negotiation procedures) to keep that company as a satisfied (but not strategic) customer. Then, focus your SAM program on a more strategic customer.

Many resources exist to help you get started and learn from the wisdom of others. The Strategic Account Management Association (SAMA) is a comprehensive resource for new and advanced SAMs, as well as program management executives. Strategic customer selection is a primary area of coverage at SAMA.

So, what makes an account strategic?

1. *Size.* Yes, size is a factor. The strategic account is typically over \$1 million in sales annually.
2. *The supplier's importance to the customer.* Often, this factor is not carefully considered. To be a true strategic account, you must be important to the account, when compared against the account's other vendors. It is important that the strategic account itself consider the relationship with the vendor important.
3. *The customer's importance to you.* The customer must be important to you and your long term-sales strategy. A large account can be a difficult account and may view you as merely a tactic to achieve its objective with a different, strategic vendor. You may wish to exploit these opportunities, but you should not consider them strategic.
4. *Partnership.* Your organization must develop a partnership with the client that is recognized by both of you. For an account to be strategic, you typically have some "skin in the game." The strategic account is one in which you make an investment. Your organization shares the client's gains and setbacks in exchange for a long-term, profitable relationship.

Accounts do not become strategic overnight. Through the vendor's intent, a large account typically evolves into a strategic account over time.

Organizational inertia and cultural difficulties. If SAM means aligning corporate functions to serve strategic customers, then your organization must be willing to change in order to give the SAM program a chance to work.

This of course starts at the top, and the SAM initiative needs the "C-level" support, executive sponsorship, and other kinds of leverage that come from gaining top management's attention. SAM also needs support that is lateral to the sales organization. Other functions or departments in the C-suite with equal authority need to buy in.

If a chief sales officer convinces the CEO to support a SAM initiative that is vertical to the sales organization, it will be difficult to pull off. Where will the manager turn for resources and realignment with operations, finance, or engineering? The process will bog down if the strategic account manager must go to the CSO who must then go to the CEO for a decision about a strategic client whenever a particular activity is necessary.

With a goal to empower the SAM, it is best to have the CFO, CSO, CMO, CTO—indeed all of the C-suite—involved from the outset, then to involve all of the managers in their functional areas. Because the strategic account manager is the closest to the strategic customer, when the strategic account manager asks for something on behalf of a client, everybody treats the request with respect and urgency.

The existing company and sales culture presents another big challenge for many companies. The strategic account manager will find it extremely difficult to operate in a culture that adheres to organizational silos and fiefdoms. A sales structure heavily predicated on territory, commissions, and turf (based on geography, product, or some other aspect) will resist seeing the "big picture" of what the SAM is trying to accomplish.

Cultural resistance will be present to varying degrees in every company that implements a SAM program. Be prepared to address issues of company culture directly.

The first delineation can be found in “national” versus “global” positioning.

Companies with all of their resources located in one country are few these days. Strategic account managers working in companies with national operations can operate well under the management of the line sales manager. In this situation, everybody in the sales organization, including the SAM, reports to the leader of the sales organization. An alternative is to create an autonomous SAM program or organization within the company. Strategic account managers report to the leader of the SAM program or organization.

In companies where customer needs cross national boundaries, the global account manager probably will operate best when he or she is outside of the sales organization, part of an autonomous global account management program.

Dual reporting situations are to be avoided. When a team of strategic account managers must report both to a local sales manager responsible for administration and a strategic account manager responsible for results, it can become difficult for strategic and global account managers to serve customer needs.

ESR recommends that strategic account managers operating purely within national boundaries report to the sales organization. Strategic or global account managers whose customers’ needs cross national boundaries should report to the leader of an autonomous strategic or global account program.

The implication is that differing skill sets distinguish global account management from national account management, as well the people who perform those functions. Global positioning requires greater political skills.

Talent. The strategic account manager is the caretaker of a strategic customer relationship and must deploy corporate-wide resources to provide comprehensive product and service solutions to the customer. The strategic account manager must create opportunities to provide mutually recognized value, growth, and profitability. If this does not sound like the profile of a prototypical high-performing salesperson, that is because it isn’t. In fact, the same skills that make a successful salesperson do not always make a successful strategic account manager.

These might vary depending on the situation, but consider the typical skills needed to perform as a strategic account manager: business and financial acumen, solutions development, team management, cultural sensitivity, and political savvy, to name a few. The list of SAM competencies can grow very long. In creating and building a SAM program, the program manager faces perhaps no greater challenge than finding the right people to fill strategic account manager roles. In some cases, those people will come from outside of the sales organization, from research and development, finance, marketing, or the executive ranks. Often it is necessary to recruit seasoned account managers from outside of the company.

A few sales training firms offer specific SAM training, including Performance Methods Incorporated (PMI) and Revenue Storm Corp. Both firms are involved in the Strategic Account Management Association (SAMA).

To the Point

SAM is not about sales. It is about aligning your organization functionally to the needs of your most important, i.e. most strategic, customers.

When implemented as a corporate-wide initiative, SAM can help your company adapt more effectively to changing conditions and become more competitive, sustainable, and profitable in the long term.

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