

KEY ACCOUNT STRATEGY & MANAGEMENT PRACTICE GROUP

Discussion Paper

KEY ACCOUNT SERIES

# From Selling to Key Account Partnership

**The Case for Defining Your Major Customer  
Relationships**

15 minutes Briefing Paper  
by  
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## Synopsis

**There is a substantial difference between the roles of the sales person and key account manager. Too many managers believe they are performing an Account Management role when in fact they are simply doing an enhanced sales role. We can imagine key account management evolving through five phases; the final phase being a true customer partnership. Each phase has different characteristics and demands.**

**This Executive Briefing Paper explores the characteristics of the evolutionary phases of key account management.**

### **THE SMCG KEY ACCOUNT STRATEGY & MANAGEMENT PRACTICE GROUP**

Much of the work of the Key Account Strategy & Management Practice Group is grounded in established best practice processes covering all of the core Key Account issues. These best practice processes have been built up over a number of years and continue to evolve as new learning is developed.

## Developing the true Key Account Partnership - Executive Summary

One of the immediate problems that we encounter when we talk about key account management is that different people will mean very different things when they use the term key account manager. One of the reasons for this is that over a period of years key account management has evolved. But it has evolved at different speeds in different industries and in different markets. So this means that although we may all use the same terminology we often mean different things.

We can think about key account management as evolving through five phases; from the first phase which is essentially synonymous with transactional selling (so for many people not key account management at all) to the final phase which describes a co-dependent relationship between customer and supplier in which both sides are fully locked-in to each other to maintain their success.

Whilst the final phase may sound as though it is the nirvana for suppliers, many of them are not structured, equipped or culturally able to reach this point.

We can summarise the five stages as:

**Transactional selling** (many managers would not recognise this as key account management yet we include it because some companies still have their account managers behaving as transactional sales people) – characterised by the sales person telling the customer why s/he should buy the product – always an individual 1-1 relationship

**Consultative selling** – characterised by the account manager conducting a proper needs assessment and then persuading the customer that his/her product is the best solution – generally an individual 1-1 relationship

**Preferred supplier** – characterised by ad hoc business development projects, often initiated by the customer, working with one selected supplier – typically a 1-1 relationship with ad hoc multi-disciplinary teams as necessary

**Building the bespoke solution supplier** – characterised by the customer choosing to favour one selected supplier which in turn will adapt and alter its products, services or processes to meet the specific needs of the customer – always a multi-disciplinary team relationship and often jointly funded initiatives

**Co-dependent dedicated partnership** – characterised by the two parties integrating aspects of their businesses to put the focus on serving the needs of the customer's customers – always dedicated permanent multi-disciplinary teams, jointly funded initiatives, sharing of sensitive data. At this level both companies are effectively locked-in together and it may be all but impossible for one company to leave the relationship without suffering significant loss.

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## Developing the true Key Account Partnership - Executive Summary

### We don't all mean the same thing

One of the immediate problems that we encounter when we talk about key account management is that different people will mean very different things when they use the term key account manager. One of the reasons for this is that over a period of years key account management has evolved. But it has evolved at different speeds in different industries and in different markets. So this means that although we may all use the same terminology we often mean different things.

For example, a global multi-billion pharmaceutical manufacturer uses the term key account manager to describe sales reps who call on hospitals. They are doing what is essentially a sales representative's job – selling product to buyers across a range of customers. But in another company the key account manager is responsible for managing tenders and agreeing pricing with large health purchasers.

There is a large manufacturer of packaging materials in Europe in which all the sales people are now designated key account managers, yet their role has not changed. So we can see that for some corporations the title of key account manager is synonymous with sales person.

On the other hand there is another large packaging manufacturer which uses the term key account manager to refer to very senior commercial managers who are each responsible for huge amounts of business with a few selected companies.

For this company, the key account manager is a grade *above* that of country general manager. In other words the various country general managers are subservient to the key account managers.

Similarly many of the large consumer packaged goods or fast moving goods corporations use the title key account manager to refer to a very senior manager who may have dozens or even hundreds of multi-disciplinary managers reporting in to develop a partnership with a significant customer.

So again we can see that the term key account manager is by no means defined and can refer to a role which can range from essentially a traditional sales person to a very high level commercial manager. So not surprisingly when we look at the approaches that corporations use to for their key account management we find a wide range from the simple sales force systems, tools and skills to highly sophisticated business management models.

But is it not true to say that all companies within a particular market sector are operating at the same level of sophistication. We can point to many examples of companies within the same market having very different attitudes and approaches to key account management. There are huge differences in role, responsibility, authority, seniority, level of business education and experience and so on. In other words there is no commonly understood role of key account manager.

Which of course means that a great many books and training seminars that purport to teach and train key account management as a single concept miss the point that the real needs of different companies will be very different. What might be seen as basic for one company could be highly radical and sophisticated for another.

### **We can consider five evolutionary phases of key account management**

To get some perspective on these various approaches and meanings I find it useful to think about key account management as an evolution. If we do this we can see that these various approaches fall into five broad categories.

Now of course these categories that I will describe are arbitrary and artificial. In reality there is a continuum of development but I find that it is helpful to discuss the different approaches in these terms - it helps us to gain some understanding of where we are and where we might choose to move next. It enables us to compare and contrast the approaches and experiences of different companies which in turn provides learning for other companies on the journey.

At the same time it gives us some pointers about the needs and resources we might require as we become more sophisticated and developed. So I'm going to describe the evolution of key account management in terms of the approaches that we will typically find. We will start with the most basic.

### **Transactional selling masquerading as key account management**

The most basic approach to key account management is essentially synonymous with transactional selling. At this level the key account manager is a sales person

with a target selling to larger companies. We will find the key account manager with a monthly sales volume target and there might be measures using basic sales productivity, calls per day, orders per call and so on. At this level the key account manager has little or no authority and typically must refer to the line manager for variations in price, terms and so on. So we can see that although this role may be called a key account manager, essentially is it one of transactional selling. The focus is on the sales person telling customer why the customer should buy the product or service. The sales person concentrates on him/her self and what s/he wants. I tell and you buy. I am a supplier. The customer will see the key account manager as representing one of a number of probably similar suppliers.

### **Key account management which is really consultative selling**

At the next level there is a conscious effort to put more emphasis on the customers and their needs. Some people refer to this approach as consultative because the key account manager tries to be positioned less as a sales person and more as a consultant or problem solver. This is a more sophisticated approach than the transactional model because now the key account manager is investing to learn more about the customer and what the customer really needs in the customer's own terms. However we can also see that essentially at this level the key account manager is still aiming to persuade the customer that his or her product or service is the best to meet the customer's needs. There is little flexibility. The account manager is still selling a fairly well defined product or service and generally is talking with the person called the buyer. At this level the key account manager works alone with some support from time to time from others in the company.

We can characterise this approach as questioning and listening to understand the customer's needs but then persuading the customer that the generally fixed solution is best. In other words it is still primarily about the account manager – I will ask, listen and persuade so you can buy. The focus is still on me and selling my target. As before, the customer will see the key account manager as simply one of a number of similar suppliers.

### **Preferred supplier - Joint projects and initiatives**

The next level is typified by the existence of ad hoc or special development projects between the supplier and the customer. You would think that these projects should be initiated by the supplier but we find that it is often the customer which is the initiator. In this case the customer has identified a development opportunity and wants to work more closely with one of its major suppliers to address this particular need. So for example we may see a regional health authority selecting a pharmaceutical supplier to work on a project for a particular therapeutic area. Or we

might find a large grocery retailer working closely with one supplier in a particular product category perhaps to investigate consumer behaviour or optimal shelf layout. We might find a packaging manufacturer working closely with a customer to develop a new packaging solution.

This level represents a step change from the previous two stages because now we see the customer actively differentiating between supplies to a much greater degree and choosing to favour one supplier. The customer may be willing to share confidential information and to develop a closer working relationship. The supplier will find that the single key account manager is no longer capable of operating alone and there is a need to involve other managers from other disciplines with the customer. So we have moved from a supplier approach focused on me and what I want to one which is more concerned with the customer. The customer perceives the supplier now as not just another supplier but as a preferred or key supplier. The supplier will be extending the contact level beyond the buyer to include many other roles within the customer.

### **Building the bespoke solution**

At the next level we find that the relationship has developed so that the supplier is now tailoring existing products and services or creating bespoke products and services for the customer. The supplier will also be working to develop support beyond the product and service perhaps by joint activity on the logistics or supply chain. The supplier will be using a team of multi-disciplinary managers at various levels as a permanent key account team. So we have moved from an ad hoc project team to a permanent business support team seeking ways to deliver additional value to the customer. The key account manager will now be leading a team and will be getting regular support from senior managers across the business, all of whom will be developing relationships with senior customer managers. Senior managers will also be activity involved in the strategy development for the key account business. The processes, systems, tools and skills will have become far more advanced than we saw in the earlier stages. For example, the supplier will understand the profitability of the key accounts and will have bespoke strategies and plans for each one involving tailored support. The supplier will be much more important to the customer and there will be a number of joint initiatives which commit both sides to each other. Plans and activities will be jointly developed and implemented. Objectives will be based on mutual support. So when we reach this level we will have moved from me and my needs to you and me and our plans.

### **True partnership - working together to serve the customer's customer**

The final and most sophisticated stage will be achieved by just a few suppliers and with only a very few of their customers because the level of commitment and cost will be substantial. At this level we will expect to see a very senior manager as the key account manager, with responsibility and authority for the profit and growth of a significant proportion of the supplier's business. The key account manager will report to the most senior manager often at a regional level. There will be a large permanent team of multi-disciplinary managers who may well be located in the office or very close to the office of the customer itself. The focus will be almost entirely on joint business development focused on a detailed understanding of the customer of both the supplier and key account. So for the pharmaceutical manufacturer the focus will be on the patient. For the consumer goods manufacturer the focus is on the consumer.

The supplier and key account will work closely together on a wide range of joint activity. Parts of their business will be integrated. For example all stock holding and placement of order may be the sole responsibility of the supplier. Logistics may be shared. Sensitive data and information will be shared and joint working teams established to grow the business for both sides. Both sides are completely locked in to the other's business. The supplier is no longer selling and the customer no longer buying. They are both working together to support their mutual customer for mutual gain.

## **Buying and selling to co-dependent partners**

So in looking at the differences between the more basic levels and the more advanced levels of key account management, we have moved from a buying-selling relationship to one of co-dependent partners.

From a short term quarterly view in which planning is minimal to a long term view in which planning becomes critical.

The focus on selling products and services to the customer has changed to mutual business development – selling in becomes selling out.

The supplier moves from a focus on my agenda, needs and interests to a focus on our mutual agenda, needs and interests.

The key account manager's role moves from a relatively low level with limited authority to very senior level with almost complete authority. The background and experience of the key account manager moves from a sales person with standard sales training to an experienced, educated commercial manager.

We move from the key account manager managing the customer alone to a team effort involving all the company disciplines and with the active engagement of the most senior managers.

The attitude and approach changes from an internally dictated model to one which is built on the structure and needs of the customer. The supplier is willing to change its model to adjust to the customer.

## **Summary**

To summarise we have seen that there is no commonly accepted understanding for the role of key account manager or key account management. Instead what we see is different industries and companies taking very different approaches and we can represent these approaches as an evolution from what is essentially a selling role to become a true partnership.

As a next step, it is well worth considering where your company fits in this evolution, what the implications are for you and what you might want to consider next to support your business development.



## **Conclusions**

The supplier has to define specifically what its competitive position is and how it wants to be perceived by the key accounts. Many suppliers believe they have done this but their answers tend to be generic and lacking in depth.

The supplier must also recognise that the further it progresses along the relationship phases, the greater will be the demands, effort and cost in addition to the internal disruption it will suffer. There needs to be a clear benefit available and defined in order to justify this additional cost.

Finally the supplier must recognise that the more developed phases can only be achieved if it is prepared to change the way it does business and in particular change its established internal processes and methods.

## **This paper**

This paper was originally presented at an industry conference by Richard Ilsley in 2011.

It is free to download along with associated papers at the resource site

[www.KeyAccountManagement.org](http://www.KeyAccountManagement.org)

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