



ONLY THE STRONG SURVIVE

As the procurement of services becomes increasingly centralised, winning business means all or nothing. Building close relationships with your top customers is the secret to growing profitability in these challenging times.

Become a global service provider

Top accounts have an increasingly international dimension. Governance and structures are changing. Just five years ago, if a supplier wanted to sell services to one of the world's top five banks, they would either service the client via a series of local contacts or work centrally with the head office. Now, they'll need project team spread across all five continents.

Suppliers are nowadays forced to sell their products or services "centre to centre" - from their centre of excellence (often a virtual team formed around a global account manager) to the customer's centre of excellence. This places new demands on organisations that have to work across geographical and divisional silos to deliver the right result to the client.



Successful strategic account management can lead to:

- A measurable impact on business results
- Learning more about your own organisation
- A long-lasting relationship with customers

The performance of the managers that handle your largest and most complex customer relationships will

determine the overall profitability of your company. What's more, losing an important account can be devastating to your long-term success. As well as being extremely tough to replace it can even affect your company's share price.

"Nurturing key accounts is hard work, but it is a clear path to economic success."

David Maister

Providing key account management to your most important customers or *key accounts* will enable you to move up their value chain and build significant relationships that generate long-term results for both sides.

Key account management is more than "big selling". It requires both organisational and operational commitment to be successful. Relationships with top accounts can deliver outstanding results, but only with a robust and structured management process. Whether key account management matters or not is no longer in question. It matters. The only thing to really consider is how to make it work.

ONLY THE STRONG SURVIVE. CONT.**Measurable impact on business results**

When Mercuri surveyed 89 financial institutions, we discovered that the top 10 per cent of their accounts generated an average of 49.9 per cent of their income. Our financial services expert Richard Higham says, “Key account management makes an impact on the strategy and importance of any supplier. The scale, strategic implications and impact of key accounts can have on a company, for both good and bad, are huge.”

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A large professional services firm identified that rate of income growth from its key accounts was twice that of its overall growth. It recognised that a focus on these key accounts could impact positively on the firm’s profitability. As it began to dedicate resources, innovation and leadership on these accounts it recognised it was able to double that income again and is currently on target to take its annual income from its nominated key accounts from \$800 million to \$1.8 billion.

In partnership with the University of St Gallen, Mercuri conducted further surveyed 560 leading companies, including manufacturers and service providers, in eight European countries. One of the questions asked was why companies choose to embark on key account management programmes. 90 per cent acknowledged that they were aiming to improve customer satisfaction while almost 75 per cent were motivated by a desire to improve their competitive position. For many of the companies surveyed, key account management had been a reactive step, as around half had adopted it in response to customer demand.

A source at one international life insurer Mercuri worked with over an eight year period confirms the ability of key account management to impact the business result: “Scoping out an effective process and

redefining our sales management structure has proved invaluable in propelling our business model forward with increased sales productivity.”

A professional services firm in North America identified an eightfold increase in revenue from their key accounts over a five-year period. The impact on product mix was even more impressive. Before the programme, just 10 per cent of the company’s clients took three or more services. After 5 years that number had risen to 40 per cent.

Three distinct routes to managing accounts

As one the biggest potential areas of growth in a demanding market, key accounts require careful consideration. Mercuri’s Richard Higham identifies three ways of providing key account management:

1. Early-stage

Also known as *ad hoc*, this approach involves the key account being managed as a “big customer” with the local salesperson continuing to act as account manager, drawing on local resources as required.

2. Matrix

The supplier identifies a customer as key and builds a dedicated core team to manage the account. The core team then relies on local resources to deliver services. This makes clever use of limited central resources whilst retaining flexibility by calling on specialist resources when needed.

3. Centralised

While many organisations choose to continue with the matrix structure, a few - such as IBM, Vodafone and Areva - have experimented with allocating the entire account team to the key account manager, who takes resources, cost and income out of the local business unit.

ONLY THE STRONG SURVIVE. CONT.

Top performers in financial services report that they have reached a level where their corporate culture actively supports the whole client management approach and where key account management processes are defined, known and accepted across the entire organisation. These organisations are better able to measure its success, which is vital if key account management is to enjoy the wide internal support it needs.

The companies that benefit most are the ones that use either the matrix or the centralised approach to successfully integrate key account management throughout the organisation. They have a nominated senior leader with responsibility for the overall programme. They provide specialised development for account managers and teams. They select the accounts they consider important thoroughly and with utmost care. They also recognise that this process takes time to bear fruit: 70 per cent of the companies in the top quartile have been offering a planned approach to handling key accounts for five years or more.

The right account managers

Having the right account manager has an incalculable impact on the success of any major client management programme. Top-performing key account management practitioners analyse the competencies of their staff to match them with customer requirements and different customer scenarios. They provide training and development packages especially for account managers and ensure that key account management is reflected in talent management, career design and the organisation's wider HR strategy.

Key account management is more than "big selling". The leader of a global account team is in effect the "CEO of a horizontal business unit", responsible not only for sales but for marketing, legal, financial, production, logistics and even HR.

**\$1 million to
\$70 million**

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Mercuri ran a training program with one of Europe's largest financiers of infrastructure projects. Of the 15 key account managers present, not one had a sales background. All were engineers, lawyers, accountants or credit specialists. All had advanced technical skills but little client-facing experience. We recognised the need to equip them with the relationship skills they needed and to support their work with a dedicated sales team.

The role can be extremely stretching. One global account manager leading his company's relationship with a leading retailer is responsible for more revenue than any of the global divisional MDs. In one company (a Scandinavian-based, multinational engineering business), the relationship manager looking after Ford delivers more profitability than any country manager. The lead partner in a professional services firm who has taken a banking relationship from \$1 million to \$70 million a year now has over two hundred people in his virtual team.

Example: a large bank might appoint a Global Relationship Manager based in London to deal with head office functions such as treasury. The GRM gathers a small operational team around him but then uses his global contacts in the bank to call on specialists to deliver trade finance solutions in Singapore and insurance in Brazil. The specialists continue to report into their country structures with a dotted line to the GRM.

The challenge is not solely internal. Account managers are required to build relationships at a higher level in the client and engage the "C Suite" on a wider range of more strategic issues. In IT, this means moving from talking solutions to the head of IT to talking operational impact to the COO; for insurers, it signifies moving from conversations about premiums with a risk manager to discussing balance sheet issues with a CFO; for bankers, it implies transforming cash management discussions with treasurers into corporate strategy conversations with CEOs.



ONLY THE STRONG SURVIVE. CONT.

A leading global insurer wanted their client relationship leaders to engage far beyond the usual scope of a salesperson. Following intense guidance and training, they reached the point where their account managers are comfortable talking about every aspect of risk and insurance. Now, these managers might find themselves meeting a client on an oil rig in the Siberian oil fields or talking about issues around their company's financial strength or long-term objectives with their own CEO and their client's CEO.

Today's Key Account Manager should represent the interests of the customer as well as the supplier of services or products. They have to manage professionally but also have responsibility "without authority."

Key account management is a team effort that can bring long-term results to your company. To find out more about Mercuri International's proven track record in key account management and how we can help you find the right process for your company, please go to www.mercuri.net

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