

Members Quarterly

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Feature

Managing Key Accounts: The Path to Success

Develop long term relationships and profits

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Everyone including HR has “customers”. Although most of us are not directly involved in sales of our company’s products, we provide services to those within our organization and outside. We all have Key Accounts, whether they are internal or external. Here are some insights in -developing and maintaining key accounts that we should consider for long term success and profitability.

Before considering the profitability of Key Accounts, we need to agree on a definition. At the risk of simplifying a complex topic, here is the definition of a Key Account:

“Key Accounts have a long-term, mutually beneficial relationship with their supplier. They seek to increase the profitability of their organization through this relationship. They also expect their supplier to participate in business planning and support for the products/services they purchase. Their unique relationship with a supplier is managed by a Key Account Manager whose job is to seek ongoing sales opportunity through business partnership and by fostering cross company relationships.”

That’s quite a mouth full. But are Key Accounts profitable? Let us consider the typical key account management life cycle.

Six Stages of the Key Account Life Cycle:

Stage #1: You have what they need

In this stage, the account has found your product to be the right fit. They have decided to buy as much product as possible. They’ve made that decision based on price, proximity, relationships, product quality or a host of other reasons. You should know which one.

Insight: This is an important stage. Great endings are the result of great beginnings! If you have established this relationship based on price, it will always be the common variable that propels you backward in the profitability equation. Find ways to add value beyond price. You will plant the seeds of success for the future.

Stage #2: Reactive | Supply what they need

In this stage, your company recognizes a sales spike in the account. Existing products are ordered more often to meet this demand and accounts receivables start to build.

Insight: Management is often torn between the opportunity of increased sales and the risk of the associated receivables. They struggle to understand the account better to manage internal outcomes and expectations. Good account investigation at this stage is critical. Poor information leads to poor decisions.

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Stage #3: You source and support what they need

Once the account has crossed into Stage 3, your company has recognized the need to support the account. They seek out new products to support the growing purchasing appetite of the account.

Insight: Enter the Key Account Manager. This person will be able to partner with the account on product forecasting, help manage internal inventories and capacity, and mitigate flight risk through good relationship management.

Stage #4: Relationships grow

As the revenue of an account grows, the cross-company relationships should grow as well. Presidents should be talking to presidents, VP's of Sales to VP's of Sales and so on.

Insight: When these cross-company relationships do not occur, there is a high risk of account meltdown. Key Account Managers should help facilitate these introductions and work with corporate executives and department heads to build a cross-departmental bridge.

Stage #5: Do we still like you?

At this stage in the relationship, the account has established selling cycles with your company. It will now assess you and your company based on the price they pay for product. When the perceived benefit of working with your company is greater than the cost, you are in a good situation.

Insight: Key Accounts are always growing and evolving. Therefore their needs change over time. As a Key Account Manager, you must do regular monthly/quarterly review visits. This is a time for you to assess the account's current needs, follow up on action items from the previous review and present the value you have given them over the past planning period. Review meetings are critical in the long-term health of your account. Remember, if you are not meeting their needs, someone else will!

Stage #6: Relationship maintenance

When all the other stages have been managed properly, your account will be profitable.

Insight: Keep up the good work. Key Account profitability is not a revolution, it is an evolution.

Key Accounts have a long-term profit potential when built on the entire value equation, not just price. Remember that how you start and manage the Key Account Management process will largely determine how profitable your account will be. Good Key Account Management is good selling!

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