Selecting and developing Key Accounts systematically

How to leverage limited sales resources to achieve optimal results

Since 2002, we have helped companies develop and implement strategies for profitable growth and superior business performance, worldwide.

Our customers include medium-sized world market leaders and global concerns.

We provide our services in German, English and French.

For further information, please go to www.hanswalterfuchs.com

Contact:

HANS WALTER FUCHS
INTERNATIONAL CONSULTING
Giselherstraße 13
67547 Worms
Tel.: 06241/2049921
info@hanswalterfuchs.com

Selecting and developing Key Accounts systematically

How to leverage limited sales resources to achieve optimal results

Perhaps you have a complex CRM (Customer Relationship Management) software which helps you to classify and develop your customers. Are you satisfied with that system? Do your sellers really work with it? And how do they use it in their daily work?

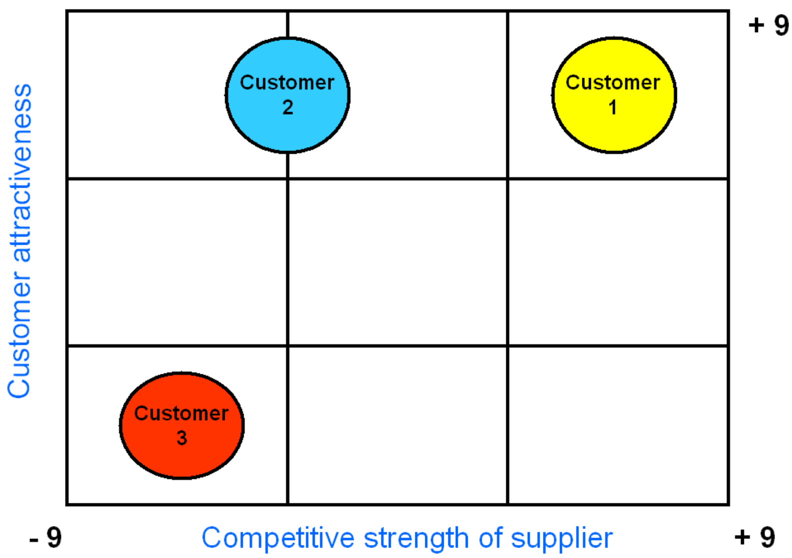
In spite of all the technology, we must not forget that CRM cannot replace critical thinking and strategic market development! In that context, key accounts deserve particular attention. These are customers with a high potential for your business. E.g. they may be market or technology leaders or they may serve as highly valuable references.

What is important is that the sales team is absolutely clear about which customer is a key account or which one could become a key account in the future. Which criteria should be applied to select and classify key accounts?

A pre-selection of a company´s customer base with respect to turnover and contribution margin often shows that 80% of turnover (or contribution margin) is realized with 20% of the customers. Therefore, potential key customers are more likely to be found among the first 20% than among the remaining 80%.

Once you have made this pre-selection, you can locate the potential key customers in a portfolio matrix and sub-divide them into different groups (comp. fig. 1)

Fig. 1, Customer Portfolio



On the vertical axis of the matrix you evaluate your customers´ attractiveness, on the horizontal axis you rank your competitive strength as a supplier with these customers.

Using a spreadsheet (comp. fig. 2), proceed as follows:

- Define the criteria which determine your customers´ attractiveness, e.g. customer size and customer growth.
- Rank the importance of these criteria for each customer on a scale from 1 –3 (yellow column). Of course, the criteria you select should all be relevant, but not all criteria have the same importance for each customer.
- Evaluate the performance of each criterion on a scale from –3 to +3 for each customer. A +3 score means: This criterion is fully developed (e.g. strong growth). An –3 score means that this criterion is only marginally developed (e.g. little or negative growth).
- Multiply the importance score with the performance score of each criterion.
- Add the results (green column) and divide the total by the number of criteria (two in our case). You´ ll get the coordinate for customer attractiveness in the portfolio matrix (vertical axis).
- Proceed in the same way to calculate the coordinate for your competitive strength as a supplier in the portfolio matrix (horizontal axis).
- Draw a circle for each customer where the two coordinates intersect.

Fig. 2, Spreadsheet for customer classification

Customer Attractiveness									
Criteria	Weight *	Evaluation						=	Score
	(1 - 3)	-3	-2	-1	0	1	2	3	
- Customer size	3						2		6
- Customer growth	1							3	3
									0
									0
									0
									0
									0
									0
									0
									0
									0
Customer attractiveness (total score / # of lines)	4,5					Sum:			9

Depending on the position in the matrix, you can decide which customer is eligible for key account status. The most likely candidates have a high attractiveness and your competitive position as a supplier is strong (comp. yellow bullet in the matrix, customer 1).

Customers with a attractiveness, where your position as a supplier is quite weak, are also potential key accounts (compare blue bullet in the matrix, customer 2). However, you have to invest in these customers to strengthen your competitive position and to realize their full potential.

What would you do with customer 3 (comp. red bullet in the matrix)? Actually, you should stop serving him, because he is quite unattractive and your competitive strength as a supplier is low. However, there may be strategic reasons to keep serving this customer.

Once your key accounts have been identified, specific development strategies have to be worked out in a key account plan.

The components of such a plan are:

- Objectives
- Strategies to develop the customer
- Action programmes for strategy implementation
- Budgets, sales and turnover forecasts
- Control of results

Sellers are often quite unenthusiastic when it comes to developing and documenting comprehensive key account plans. However, in many cases, a two-page sheet for each customer, integrated into a CRM system, is quite sufficient.

What is required for the successful implementation of a key account approach is a consensus between management and sales about who is a key account and about the optimal strategy required to develop each key account.

In addition, customer-specific sales and profit targets should be integrated into key account managers´ personal targets and linked to an incentive system.

Summary

The customer is king and deserves full attention! However, it makes sense strategically to divide customers into different groups and to treat them differently given limited resources on the supplier side and different potentials on the customer side. Using a portfolio analysis, customers can be categorized based on the two dimensions ´customer attractiveness´ and ´competitive strength of the supplier´. Key Accounts are customers with a high attractiveness where the supplier has a strong competitive position or where he is able to build such a position in the medium term. After the key accounts have been identified, a plan for systematic development has to be formulated and implemented.