

Christian Belz | Markus Müllner | Dirk Zupancic

Excellence in Key Account Management

The St. Gallen KAM Concept



Preface

Companies, consultants, and researchers have been engaged for many years with the topic of key account management (KAM). We might presume that by now, all has been said. This is however not the case. Each project we become involved with has its peculiarities, and delivers new insights. The basis for our work is always the St. Gallen KAM concept, which we first described in the first edition of this book, four years ago. It is good to know that the first edition sold out, and numerous positive responses from practitioners confirm the effectiveness of our recommendations. We are therefore glad to present this new edition.

We have currently identified the following challenges for companies:

- *Differentiated solutions for customers.* Successful companies concentrate on attractive businesses and customers. In our research and development cooperation with companies we have focused over the years on the implementation of KAM and global account management (GAM). Suppliers can grow with the best large-scale customers. The company strengths of technologies and sales cannot be diverted to key accounts when the suppliers are unable to implement professional solutions simultaneously for medium and small-scale customers. The customers themselves use their corporate resources and overlap with supplier functions if their business is not handled effectively and efficiently. In short, a company requires impressive and effective solutions for each customer category. It is therefore always a challenge to develop and implement the correct solutions for medium-sized and small-scale customers as well as for key customers. Each customer category is also strategically important for the supplier. In specific cases for example, large business volumes can be generated with large customers. It also makes sense to take note of flexible customers in the medium-sized category which might become the key accounts of the future. It is similarly important to restrict or combat the attempts of competitors to poach medium-sized customers. At the same time, the best margins and spread of risks can often be realized through small customers.

- *Acquisition.* Implicitly or even explicitly, KAM is often oriented around existing customers. It is easy for the supplier to lose track of customer potential. Even for existing large customers, acquiring new business remains a core task. Existing customer business should regularly be regenerated and expanded. There is a relationship between customer retention and customer acquisition. Successful suppliers as a rule do not need to act as simply a farmer or a hunter in customer management, but as an appropriate combination.
- *Lean cooperation.* Suppliers often develop an attitude in their cooperation with key accounts that the entire efforts serves only to enhance cooperation, building on relationships and developing partnerships. Large customers need intensive cooperation: that is the rule. Key accounts are usually highly specialized in procurement and technology, and use their individual resources comparatively extensively. Since they are in a position to perform many services themselves, they often seek a lean and targeted cooperation with their key suppliers. When the suppliers are set upon an extensive cooperation, they often obstruct the possibilities for effective and efficient customer participation. They are busy with super performance systems that are top-heavy and inefficient for the customer. Cooperation with key accounts is not made easy if the system is very cumbersome for the customer. An indication that a customer is looking for a lean relationship with a supplier is also that it usually procures extensively via internet platforms and has lean processes in comparison with smaller customers. In contrast smaller and medium-sized customers might seek an intensive partnership, since they are increasingly dependent upon support from their suppliers. The suppliers however only look to minimize their expenses relating to these customers.
- *Dynamics.* Even with large customers there is not a static need for cooperation. In the course of cooperation with the supplier there are leads that can result in a more intensive cooperation (such as cooperation for the purposes of development, launch of new products, or restructuring of production processes). Such cooperation leads must be pursued appropriately. Appropriate activity in the customer transition phase is the most important long-term investment for a lean and subsequently fuller partnership.
- *Lack of consistency.* Many companies imagine that setting up or systematically optimizing a professional KAM program is really simple. Those who ask at the beginning of the project what the likely gain in turnover is after the first year, do not understand the concept of

KAM. Of course, KAM is concerned with business success, and an increase in turnover (and profitability) is the final aim, but this often does not happen in the short term. KAM programs, and especially GAM programs, require a medium to long-term perspective. Over this time span there needs to be consistency in leadership and a patient approach. Top management need to recognize this, and provide support in its implementation.

- *Missing framework conditions.* Some companies view KAM as a purely sales approach and work with it primarily on operative implementation. This is not an approach that will exhaust its effectiveness in providing strategic advantage and value added for customers. To achieve the entire potential, this calls for a broad approach which also considers infrastructure, processes, structures, culture and so on. Generally, here lies the biggest optimization potential for many companies. Our tips on organizational KAM suggest how to approach it.
- *Setting incentives correctly.* On the basis of our extensive experience with KAM programs in companies, we have concluded that the incentive system for staff in the function often acts as a hidden barrier. Companies that have developed their KAM programs professionally, fail in their practical implementation. The reasons are usually contradictory targets and objectives. When set objectives cannot be harmonized with the requirements of a KAM program, but form the basis for discretionary compensation, employees tend to go for the measurable and ignore the deeper objectives of KAM.

After all, a lot needs to be done. KAM remains exciting and challenging. There is nothing different about the fact that it needs to be dealt with professionally for (nearly all) companies. In contrast KAM is more important than ever before. We are glad to be in a position to make our contribution again with this new edition. We have used proven foundation and components, for example on strategy, solutions, skills, implementation, updating and enhancing the future of KAM.

We thank Rupert Hilti for valuable contributions to this book: in the first edition too there were remarkable Hilti case studies. Our thanks are also extended to the advisory company Mercuri International. They have refined the St. Gallen KAM concept along with us and have implemented it in their advisory practice for many years.

Finally, we thank all the cooperating partners, customers and seminar participants who have worked with us and are still working with us. They have made a great contribution to our concept.

We hope you find the book interesting, and we are always available for questions, discussions and also advice and training in KAM. Approximately 700 participants in our seminars, projects and in-house training sessions for KAM over the last four years provide a good reference.

Christian Belz (christian.belz@unisg.ch)

Markus Müllner (markus.muellner@marketing-auditorium.com)

Dirk Zupancic (dirk.zupancic@unisg.ch)

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Practical experiences with the St. Gallen KAM concept

»The St. Gallen KAM concept provides a framework for professional development and implementation. This book integrates the existing strategies and tools and thereby reflects the state of the art in practice and research. This volume combines the basics and tools for the beginner with strategic considerations which should be raised at an advanced level. It contains valuable tips on realizing best performance in KAM. This is a special achievement from my standpoint. This is exactly what we are used to from our long-term cooperation partner.«

Wolfgang F. Bussmann, senior vice president, Mercuri International

»Key account management is constructed upon the realization that win-win partnerships are developed systematically and administered personally. The St. Gallen KAM concept is a total, systematic model, whose logic and practicality cannot be ignored by any company.«

Jens Alder, CEO, TDC Group

»A number of complex decisions must be made in order to process the correct selection of key accounts for the development of individual customer strategies for the efficient orchestration of the required multi-level resources for successful customer processing. The St. Gallen KAM concept integrates them.«

Pius Baschera, president, Hilti AG

»Client utility stands at the beginning of our ideology – professional key account management is the structured victory of this value creation.«

Alfred N. Schindler, chairman and CEO, Schindler Holding Ltd

»The St. Gallen KAM concept is very well designed to implement KAM systematically and in full, and to derive increased benefits for customers.«

Peter Schmid, director and head of Marketing & Communications, UBS AG

»With an organizationally correct founded KAM approach, which contains structured methods and processes, the result can be improved and customer satisfaction can be simultaneously enhanced.«

Frank Marthaler, head of Strategic Account Management, Die Post

»The St. Gallen KAM concept offers a fine combination of scientifically founded and structured knowledge of the possibilities, and their practical application. Along with the intensive engagement with the topic this leads us to rethink what has existed until now, which finally leads to the correct measures and successes.«

Bruno Eigenmann, sales director, Beiersdorf (Switzerland) AG

»A marvellous combination of practice and highly effective concepts, which have led to an increase in turnover in a short time with key customers in the telecommunications industry.«

Alexander Ertl, sales manager enhancements, Austria/Switzerland, Nokia

»A KAM concept is only valuable when it is implemented. The book provides valuable tips for excellent performance in key account management. With our KAM concept, we wish to show our customers that we intend to handle their business in their interests and to their advantage. Our key accounts have high regard for our valuable cooperation with you. Our special KAM concept, which is structured on the St. Gallen KAM concept, is a living proof of this.«

Thargye Gangshontsang, corporate head Switzerland, AXA Winterthur

»Finally a concept that also throws light on the implementation in our own companies, understandable and practice oriented! A handbook for those who wish to deal with the increasing complexity of the customers – and along with the customer! Key account management is a culture and not only a sales medium!«

Heiko Folgmann, executive vice president Europe East and International KAM program sponsor

»The St. Gallen key account management concept with its complete approach and its immensely strong practice provided me with the tools for an individual entry in a structured enduring customer supervision and personal customer relations. Theory and practice, a mixture of scientific research and daily application, experience in diverse businesses and service segments. A source that is always lively and rewarding.«

Helmut Gänswein, key account manager, ABB Switzerland AG

»The St. Gallen KAM concept with its introduction and detailed minute compilation and representation – 1. Strategy and objectives (strategy); 2. Performance/service/solution (solution); 3. Competence and personal (skills); 4. Coordination (structure); 5. Success control/controlling/balanced scorecard (scorecard) – is remarkable. We keep this method and representation always in front of our eyes and check our procedures accordingly. It is a real enrichment and finds good areas of implementation in our daily business.«

Matthias Otterbach, head of sales (board member and company founder), Delta Energy Solution AG

»The book *Excellence in Key Account Management* presents the St. Gallen KAM concept in an impressive and practical manner! The St. Gallen KAM concept can be implemented with simplicity and transparency in practice. The applied St. Gallen KAM concept has had an enhanced acceptance with our internal sales organization and also with our small and large customers! The book serves internally for implementation, repeatedly as an introduction, support for thinking processes and guidelines, and leads us in the right direction and with confidence of success through complex sales processes!«

Peter J. Odermatt, managing director, senior partner, member International Steering Committee, MRI Worldwide

»The composite KAM approach has helped me very much in spite of my enormous experience in global key account management. This approach describes the important basics of systematic key account management and establishes logical connections to the other corporate areas without whose inclusion there would be no major chance of success. I liked particularly that it covers the structuring and start-up of interpersonal relations and control of conflict situations, since these can repeatedly be responsible for surprises.«

Frank Schweitzer, sales unit manager, Austria and Switzerland, SNA Europe (Germany)

»The St. Gallen KAM concept from the University of St. Gallen has made me capable of coping with the never-ending and enormously complex task of effective key client supervision, including the enormous requirements upon myself and the complete task of structuring it methodically and using it successfully in the daily routine. The increased exchange of knowledge and experience between the individual participants of the seminar combined with the contents of this book provide the basics for best practice