

Conflict scenarios at Premium Insurance

These case studies are provided as a basis for group discussion, to explore individual ideas about conflict resolution and consider alternative approaches. Often, you might start with one approach and move to another if it is unsuccessful, although you lose trust if you switch too often. Cases are not only useful to facilitate discovery of your personal styles, but also how your company might wish conflicts to be handled.

'Solutions' are not provided, but you should, for example, consider.

- Urgency/pressure of time
- Focal point of conflict/where is the source of the conflict? Single source or more?
- What outcomes are desirable/possible?
- How would the other party view your approach?
- Short-term consequences of whatever approach you take.
- Legacy of whatever approach you take.
- Likelihood of success.

All companies in these scenarios are fictitious, although the situations described are typical of the kind of issue encountered in Key Account Management in many sectors, insurance is used only as a possible setting.

NB. All customers mentioned are key accounts.

1. Fellow Key Account Managers

Andreas, the Key Account Manager for Road Vehicles, worth €60m in turnover to Premium Insurance (PI), has just received a call from Ivan, the Chief Underwriting Officer for Health. Ivan says that he cannot attend the meeting with the customer as arranged for tomorrow because United Finance seems to have uncovered an anomaly in the new 'out-of-pocket' health policies it has been selling, and Ivan is the underwriter responsible for developing these products. United Finance is also a KA, worth €68m in sales, and Ivan, who is very competent and has a lot of experience, is the Health Underwriter on both KA teams. United Finance is very unhappy indeed: they are using this policy, among others, to spearhead their new initiative in the health market, so they feel their reputation is at stake here. Understandably, United is very anxious to get this sorted out, since its advertising launch campaign on health policies is already running. Lucy, who is Key Account Manager (KAM) for United, is insisting that Ivan catch a plane straight away to go and do something about it and reassure the customer.

However, the meeting at Road Vehicles is no ordinary meeting – it has taken months to get a date for it, because RV wanted to get its Finance Director, Production Manager and HR Manager all together for this discussion, and they are all based at different sites. There are some important technical issues to discuss which are causing some difficulty with the customer at the moment, and Andreas is definitely not able to handle the discussion himself in the necessary depth.

Ivan can't be in both places at the same time and, obviously, both KAMs are desperate for him to attend to his/her KA. How should Andreas approach the situation?

2. Customer

Lucy's customer, United Finance, has recently launched a new range of 'out-of-pocket' health policies, for singles, families and pensioners, tailored by PI to meet the different needs of these markets, albeit the core of the product is the same. The project took several months from initial design, through development and testing to launch, and there were quite a few changes along the way. United was in a hurry to get the policies launched to meet an opportunity in the market before it was filled by all the competition, and so production of support documentation was proceeding at the same time as final specification. The product was finally launched to the market last week.

Unfortunately, United's regional manager in one of the country's biggest cities has noticed that, for no good reason, a clause in the family policy is different from the same clause in the other two policies, and the associated marketing documentation. This was something that was amended from an early version in development. The regional manager is saying that the product must be withdrawn, though this seems to be an over-reaction to Lucy. United is concerned that a product recall might trigger recognition of the discrepancy among customers and cloud its new launch in the health market.

On the one hand, it looks as if the agreement to amend the policies was somehow not 100% applied by PI but, on the other hand, United signed off the final documents. United is upset and is blaming PI. On that basis, they are claiming the cost of any product recall, plus compensation for the compromise of its new product launch. What should Lucy do?

3. Support services

Road Vehicles has just been on the phone to their PI KAM, Andreas, complaining that their new motor policy registrations with PI have not been accepted. As they sell motor policies as an attractive accessory with new trucks, they are really unhappy to be subjected to this glitch as they feel it's compromising truck sales as well as policy sales. The problem is exaggerated since they have a big nationwide promotion going on and were producing at maximum volume to meet demand from customers and, of course, from their own key dealers.

Andreas has no idea why this might have happened but, on enquiry, he finds that the Accounts Department put a stop on all new registrations from Road Vehicles, because the customer had exceeded its credit limit with PI. Andreas is incensed at this news, especially as RV is not at all a credit risk. He rushes to the Accounts Department and confronts the perpetrator of this order, an accounts clerk called Beth whom he has never met before. Beth says that this is the procedure she has to follow, particularly in these risky times, but Andreas claims she should have told him. Beth says the system doesn't hold that kind of information so she didn't know he was involved, and anyway there wouldn't be enough time in the day if she and the other accounts clerks had to do that for every customer. Andreas says she doesn't have to do it for every customer, only Road Vehicles (and Red Rose, his other KA). The discussion has become quite heated by this stage, at which Tomas, the Accounts Department Manager, arrives and backs Beth up.

How should Andreas deal with the immediate situation and make sure the issue doesn't arise again?

4. Line of business (i)

United Finance is a well-established company, a leader in its sector and a KA for PI nationally. It sells a lot of motor insurance policies, but competition in this market is stiff and it has probably reached a ceiling in its market share. So United sees Property policies as its major opportunity for growth. It started with a small range four years ago but it's also a challenging market and the business has had its problems, so it hasn't grown as much as either party expected.

Unfortunately, the level of service and attention that United Finance receives from PI Property is nothing like what it receives from PI Motor, and this is a source of constant complaint to Lucy, the overall KAM for United. PI's organisation in Property is structured differently from the rest of the company as far as KAM is concerned, because that's the way the VP, Robert, sees it: in fact, he doesn't really accept KAM and so all of his people deal with a wide range of client types and sizes, depending on where their HQ lies. United is handled by Tristan for the Property line of business, among a shifting portfolio of about 30 accounts.

Lucy has raised some of the issues with Tristan in the past, but nothing has really changed. There is no formalised relationship between them and, in fact, Tristan doesn't seem to have a lot of experience. In addition, he's always so busy that Lucy has only met him a couple of times. However, Lucy suspects that this is not the real problem: she suspects that Property doesn't see United Finance as a KA in its world, and Tristan is just an indication that Robert won't give United more priority anyway.

Since Property products are a high profile strategic development for United, and its biggest initiative in a new market by far over the last five years, the customer is getting increasingly irritable about these issues, which are beginning to infect the rest of the business. How is Lucy going to address the situation?

5. Line of business (ii)

Although Road Vehicles is worth €60m in turnover to PI, the profitability of the business is far from satisfactory. Indeed, poor profitability is the norm among motor manufacturers: motor insurance is a highly competitive, price-driven market, so there are no signs that this situation will change in the foreseeable future. PI has managed to hold on to a majority share of the business against constant attack from competitors, but its share is not what it used to be and even that is threatened by good brands undercutting prices.

As the KAM for Road Vehicles, Andreas is responsible for the profitability of the account, and clearly needs to see an improvement. He doesn't see how any significant change can be achieved in motor products, so his strategy is to introduce new health policies to the client. The volume will be less than motor by a long way but the profitability will be better, and it's a big company, so the volume potential is still substantial. However, Road Vehicles employs very tough procurement practices - this is normal in the sector - and from initial discussions it appears that they already have acquired a good insight into health insurance prices and costs, partly through talking to some other providers.

So this is going to be a difficult negotiation, and Andreas knows he can't even start at the price that PI Health wants him to propose. He is concerned that if PI loses volume in Road Vehicles at recent rates it may not even be a key account in the future, if he can't come up with some solution. Andreas has explained all this to the VP of Health, Anna, but the profitability in her line of business has always outperformed Motor and she is not prepared to see it dented by the amount that Andreas thinks likely.

Andreas feels it's not overdramatic to think that disaster is looming for himself and this account: what can he do?