

AKAM 3rd ANNUAL CONFERENCE

What makes KSAM programmes fail?

Latest research into KSAM failures, causes and solutions

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WHY TALKING ABOUT “KAM FAILURE”?

KAM MAY SUCCEED, YET KAM MAY FAIL...

- *“Ten years of research shows that a few firms have successfully built serviceable GCM (Global Customer Management) programs, but for various reasons **many more have failed.**” (Capon & Senn, 2010)*
- *“Anecdotal evidence suggests that **a substantial number of key and strategic account management (K/SAM) programmes fail.**” (Wilson & Woodburn, 2014)*

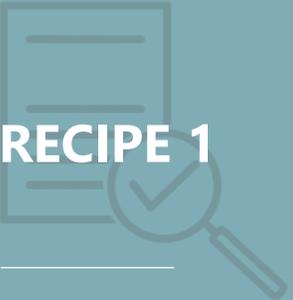
➔ FIVE RECIPES FOR FAILURE

CONTENTS



For each topic:

a recipe for failure,
some insights from
academic research,
and a few
recommendations

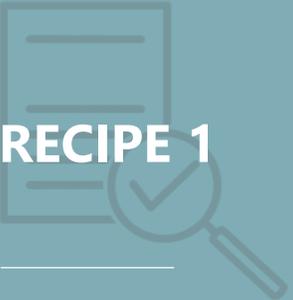


RECIPE 1

KAM Knowledge



**Assume that
everybody knows
what contemporary
KAM is**



RECIPE 1

KAM Knowledge



IS “CONTEMPORARY KAM” A CLEAR CONCEPT FOR ALL STAKEHOLDERS?

“Key account management (KAM) is an approach adopted by selling companies aimed at building a portfolio of loyal key accounts by offering them, on a continuing basis, a product/service package tailored to their individual needs.”

McDonald’s, 1997

“SAM: A long-term cross-divisional business process seeking the development of key customers in order to create significantly more and long-term sustained business value.”

SAMA

“Key strategic account management (KSAM) is a supplier-led process of inter-organizational collaboration that creates unique value for both supplier and strategically important customers.”

Woodburn & Wilson, 2014

“GAM: A global organizational form and process by which the worldwide activities serving a given multinational customer are coordinated centrally by one person or team within the supplying company.”

Shi et al., 2010

RECIPE 1

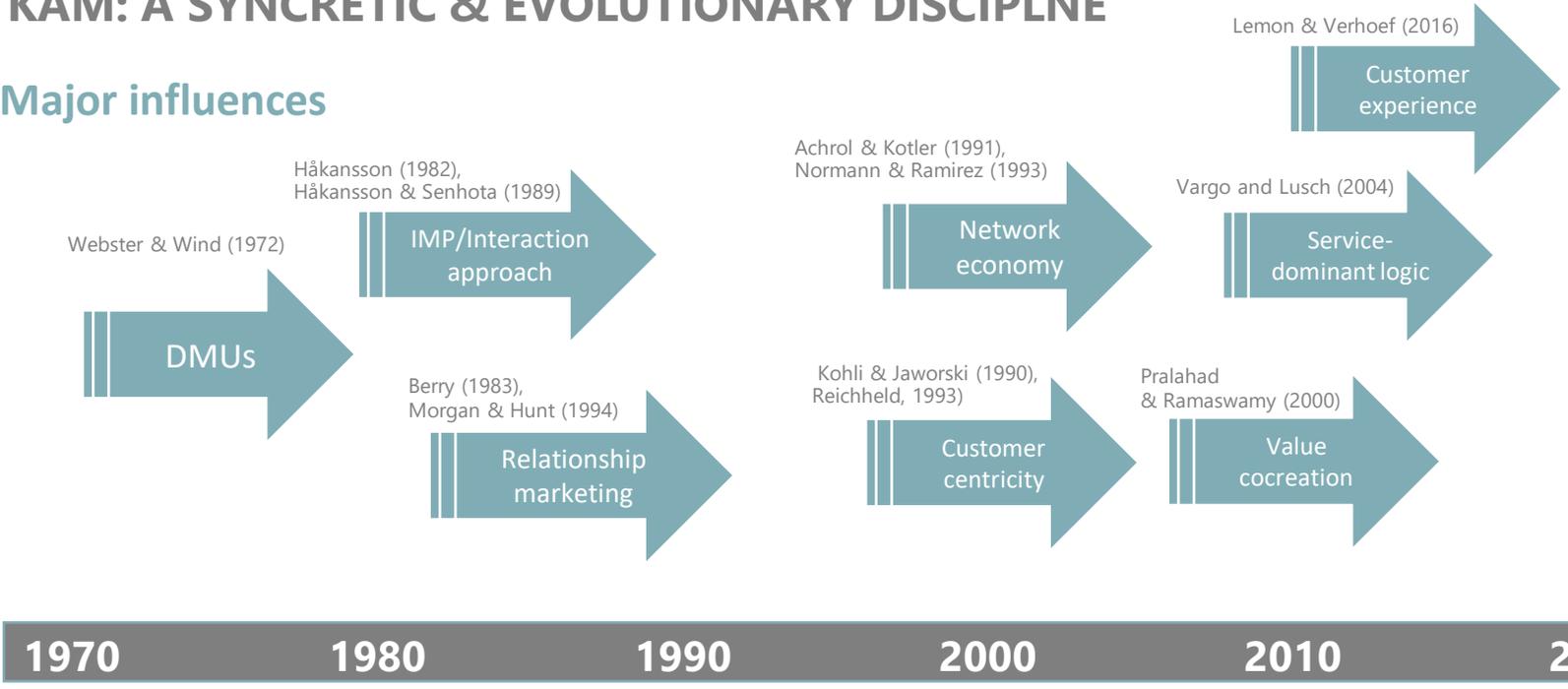


KAM Knowledge

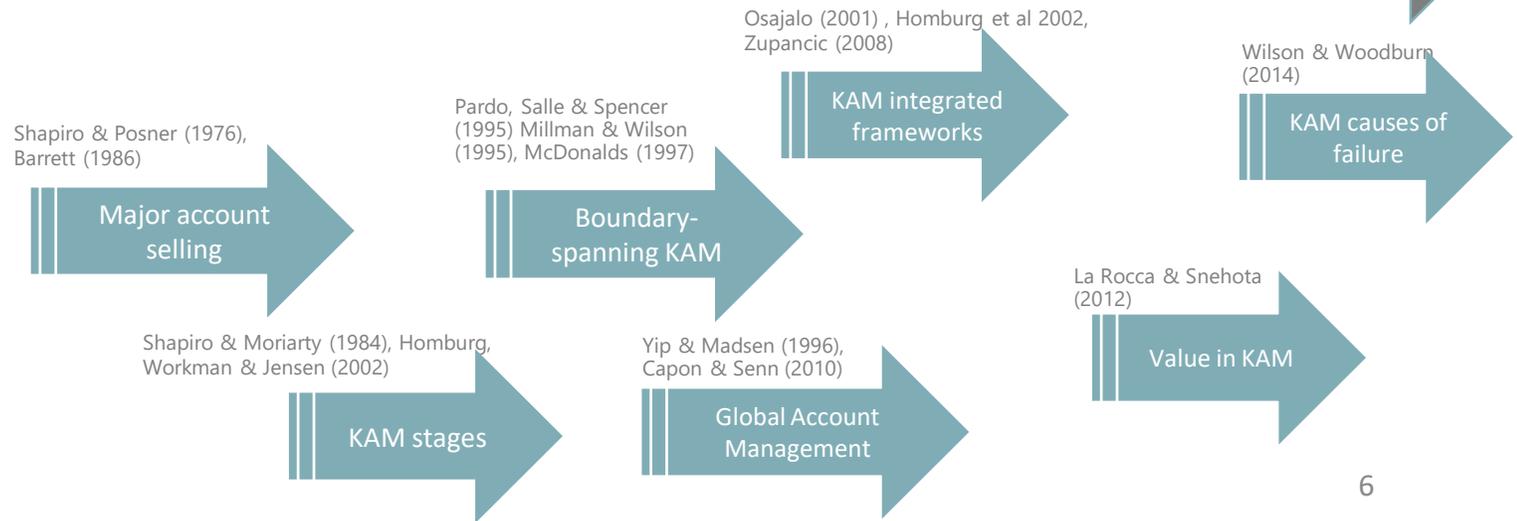


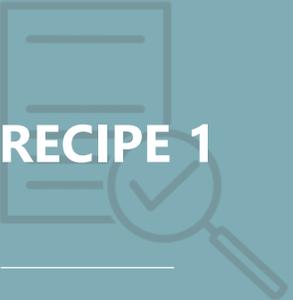
KAM: A SYNCRETIC & EVOLUTIONARY DISCIPLINE

Major influences



Some KAM milestones





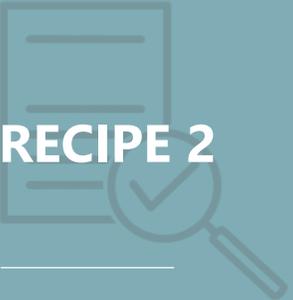
RECIPE 1

KAM Knowledge



Recommendations

- **Get inspiration** from some influential trends: network management, service-dominant logic, customer experience...
- Train KA Managers but **also systematically train:**
 - KAM teams → All of them!
 - The C-Suite and all VPs (don't assume they know everything)
- Design and implement a **real change management plan** (not just a newsletter!)



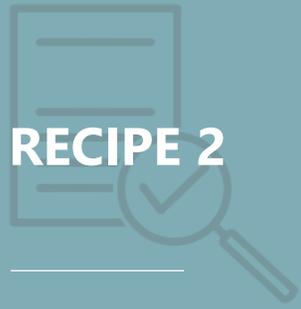
RECIPE 2

KAM Results



**Believe that KAM
always generates
significant results**

RECIPE 2



KAM: WHAT YOU COULD EXPECT... IF EVERYTHING WENT WELL!

“Key Account Management delivers sustainable growth & superior profitability”

Estimated performance improvements:

- About 20% overall customer satisfaction
- About 15% revenues
- About 15% profits”³

“Strategic Account Sales Growth per Key Account averages 14% from 12% growth 2 years before”¹

“Performance related to Key Accounts outstrips other account growth in 83% of cases”¹

“22% increase in customer satisfaction & 9% increase in annual profits”²

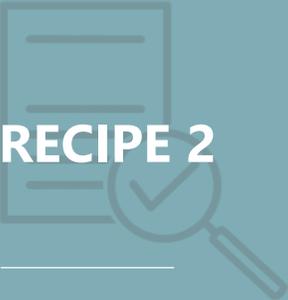


Sources:

¹ SAMA 2012 Report on current trends and practices in Strategic Account Management

² Capon & Senn (2010)

³ Montgomery & Yip (2000)



RECIPE 2

KAM Results



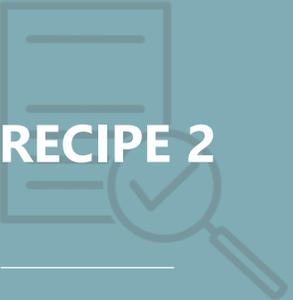
RECENT RESEARCH HAS CAST DOUBT ON THE OVERALL EFFECTIVENESS OF KAM PRACTICES

- It may **bring more benefits to customers than to suppliers** (Davies & Ryals, 2014)
- In the long-run, key accounts are ***“less satisfied, less profitable, and less beneficial for firm growth than other types of accounts”*** (Sharma & Evanschitzky, 2016).

THERE IS NO WIDELY ACCEPTED ABACUS TO DEFINE THE COSTS OR R.O.I. OF KAM

- **Scarce research** on that topic... For instance: drivers of customer lifetime value and lifetime costs (Ryals & Holt, 2007)
- **Almost nothing on costs...** is it so obvious?

*“We have found that **the cost of GAM per customer adds from \$100,000 to more than \$1 million** to what a supplier had been spending in individual countries for sales and support. Given that a supplier may have scores or even hundreds of global accounts, the total cost of GAM can be enormous.”* (Yip & Bink, 2007)



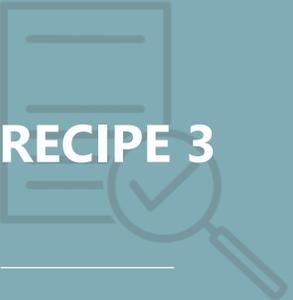
RECIPE 2

KAM Results



Recommendations

- Build a detailed **business case** for each key account
- Define a **KAM dashboard** that includes **all dimensions of value creation**, update it regularly and share results

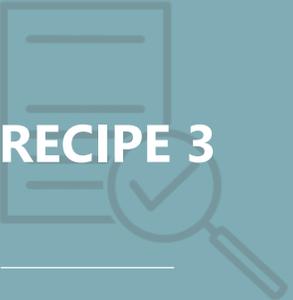


RECIPE 3

Customer Centricity



**Take for granted
that KAM is
customer-centric**



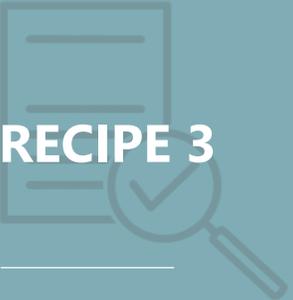
RECIPE 3

Customer Centricity



IS KAM REALLY CUSTOMER CENTRIC?

- Could we argue **that KAM is customer centricity applied to key accounts** (Gosselin & Bauwen, 2006)? To a certain extent, **however...**
- **Most KAM articles focus on the suppliers' organizations and methods to manage their customers** (Ryals & Davis, 2013) , whereas the point of view of their accounts is rarely explored, with some exceptions (e.g. Pardo, 1997).
- KAM is usually seen as a supplier-led initiative... yet it could be **detrimental, for a variety of reasons:**
 - **The vision of customers as "sales accounts" only as opposed to real "strategic partners"** (Arnold et al., 2001)
 - **The lack of consideration of customers' willingness to become key accounts** (Sharma & Evanschitzky, 2016)
 - **Customers and suppliers' perceptions may significantly differ** (Ryals & Davies, 2013)



RECIPE 3

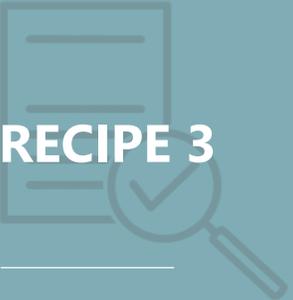
Customer Centricity



KAM: IS IT REALLY CUSTOMER CENTRIC?

- **Real customer centricity is very demanding – and it has far-reaching consequences:**

"True customer-orientation demands organisational alignment around customers in matrix structures that focus the whole firm on value co-creation with the customer and the removal of silo mentalities that focus on product, technology, process and geographies." (Woodburn & Wilson, 2014)



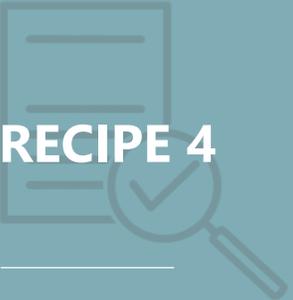
RECIPE 3

Customer Centricity



Recommendations

- **Involve your key accounts from the very beginning:** the buzzword is “value co-creation”, so try “**KAM co-design**”.
- Don’t assume that you know everything about your key accounts. Refresh **your knowledge of their challenges**, expectations, pains & gains with a well-defined methodology... and **share your report with them**.
- Measure your **key accounts’ satisfaction – but do it well...** (Not just an “NPS” figure).
- Design and implement “**customer delight plans**” with **all involved functions** → **Not just “your” classic KAM plan.**

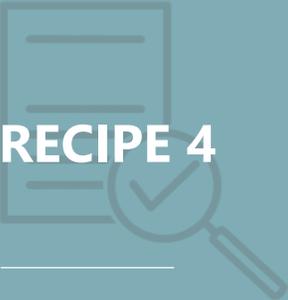


RECIPE 4

Organisational Design



Don't bother about organisational design



RECIPE 4

Organisational Design



KAM: ORGANISATIONAL DESIGN

- The phenomenon of **hidden key accounts**: *"More than 80% of the investigated companies without Key Account Management offer their key customers special treatment **without aligning their own internal organizational structures.**"* (Wengler , Ehret & Saab, 2006) → **Has it changed since 2006?**
 - **Organisational design is the poor cousin of KAM.** Lots of talks on KA Managers' management by influence, on matrix organisations, etc. But there is more to it!
 - A long time ago, Kempeners & van der Hart (1999) proposed a **decision-making model to design KAM organisations structured around 15 questions**:
 - *Should the account management system be a separate entity or integrated into the company?*
 - *Should it be under the sales organization or not?*
 - *Should it be organized by industry or on a geographic basis?"*
 - ...
- No "best way" to design a KAM organization, **only useful guidelines....**

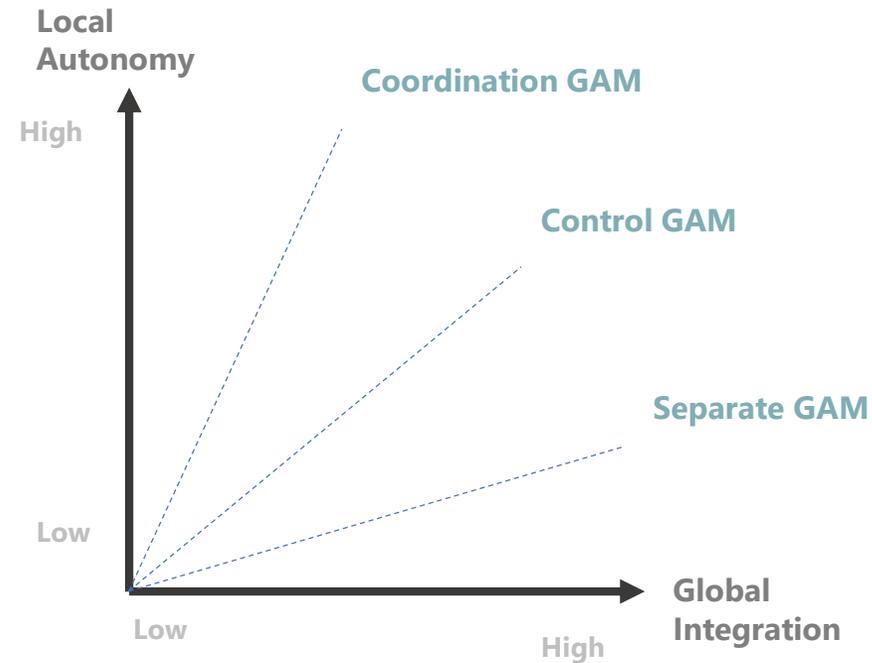
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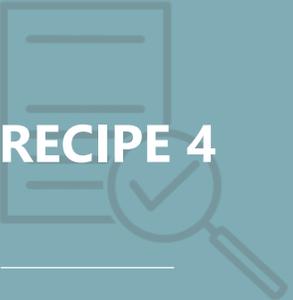
Organisational Design



KAM: ORGANISATIONAL DESIGN

- Yip & Bink (2007) theorized three models for Global Account Management (GAM) → A source of inspiration.
- Great contribution, but how to make a choice that fits your company?





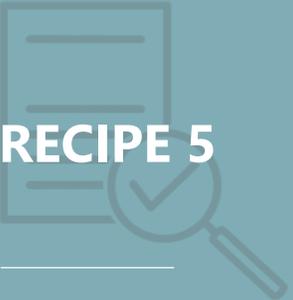
RECIPE 4

Organisational Design



Recommendations

- Take the initiative and **brainstorm with top management and all corporate functions:**
 - Ask yourself these 15 questions...
 - Define where you stand now and where you could be tomorrow
 - Above all, define how an improved organisation could bring **measurable benefits** to your key accounts

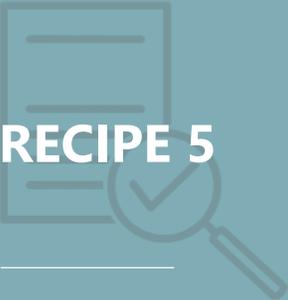


RECIPE 5

From dyads to triads



**It takes two to tango.
Does it?**



RECIPE 5

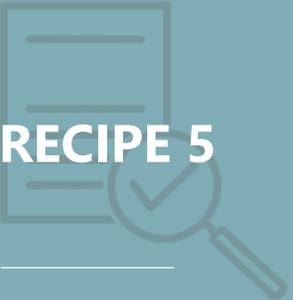
From dyads to triads



KAM: FROM DYADS TO TRIADS

- Network theory is a discipline **somewhat ignored by KSAM research**, as the latter tends to focus on the dyadic interaction between a given supplier and a key account
- Dhanaraj & Parkhe (2006): **dyadic relationships have long failed to take into account the larger socioeconomic context** in which they evolve.
- Research has shown that the **performance of networks significantly impacts corporate performance** (Dyer & Hatch, 1996).
- According to Choi (2009), **triads (the combination of one buyer and two suppliers) – not dyads – are the essential “building blocks” of networks.**
- In this context, the paradoxical coexistence of competition and cooperation led to the concept of **coopetition**, a situation that could lead to conflicts or... generate synergies, depending on the way it is managed by parties (Wilhelm & Sydow, 2018).

➔ KAM relationships should be understood in the broader context of open networks.



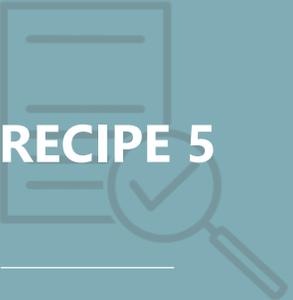
RECIPE 5

From dyads to triads



KAM: FROM DYADS TO TRIADS

- Since we are hosted by **PFIZER**.... The pharmaceutical industry is a knowledge-intensive and innovation-intensive sector → Actors must rely on the highly specialized expertise of **numerous partners**.
- Breakthroughs in biotechnology may involve dozens of scientists from all sorts of institutions – pharmaceutical companies, university labs, public research institutes, non-profit organizations: **the locus of value creation now resides in “networks of learning”** (Powell, Koput & Smith-Doerr, 1999).



RECIPE 5

From dyads to triads



Recommendations

- Explore your key accounts **value chain and analyse interactions with all significant partners.**
- Select an opportunity that **a triad** could better exploit.
- Launch a **tripartite value co-creation workshop.**

Five recipes for failure:

- **Assume that everybody knows what contemporary KAM is**
 - **Believe that KAM always generates significant results**
 - **Take for granted that KAM is customer-centric**
 - **Don't bother about organisational design**
 - **It takes two to tango. Does it?**
-

Questions & Answers

THANK YOU
