

# Why KAM fails and how to rescue it

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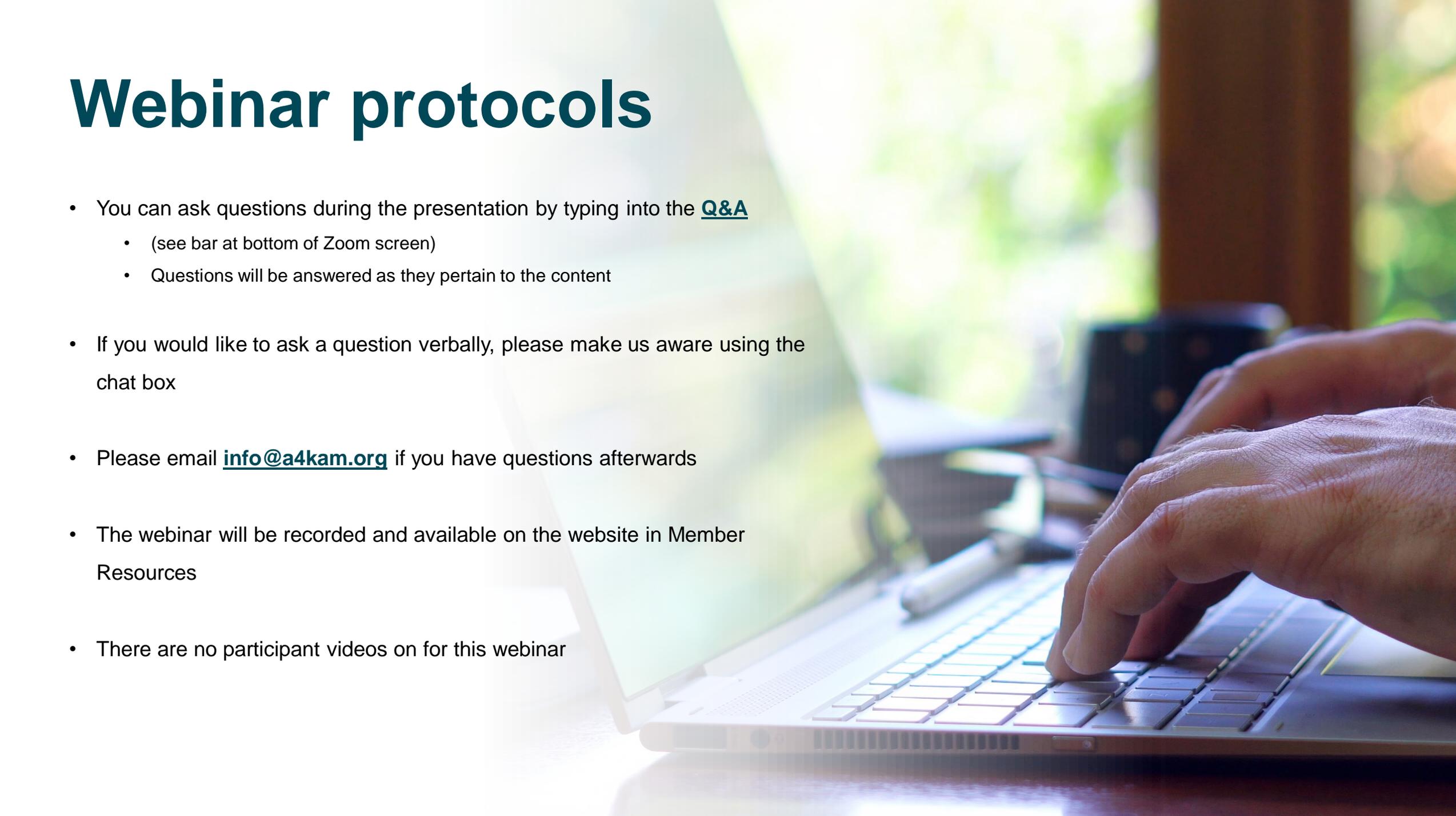
**Friday 16<sup>th</sup> April 2021**

12:15-1:15 pm CET | 11:15-12:15 pm BST



**a4kam.org**

# Webinar protocols

A close-up, shallow depth-of-field photograph of a person's hands typing on a silver laptop keyboard. The background is a bright, out-of-focus window with green foliage visible outside, suggesting a sunny day. The lighting is warm and natural, creating a professional yet relaxed atmosphere.

- You can ask questions during the presentation by typing into the [Q&A](#)
  - (see bar at bottom of Zoom screen)
  - Questions will be answered as they pertain to the content
- If you would like to ask a question verbally, please make us aware using the chat box
- Please email [info@a4kam.org](mailto:info@a4kam.org) if you have questions afterwards
- The webinar will be recorded and available on the website in Member Resources
- There are no participant videos on for this webinar

# Cedric Roesler

## Senior Partner at Xseed & Ylera

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Cedric helps world-class companies grow their businesses by defining customer-centric strategies, implementing strategic account management initiatives, and building high-value-added proposals.

He has in-depth experience in several industries, notably the healthcare, food and facility management industries. As Program Director and lecturer in several renowned Business Schools, he is passionate about sharing knowledge and exploring the most recent management trends.





## 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)

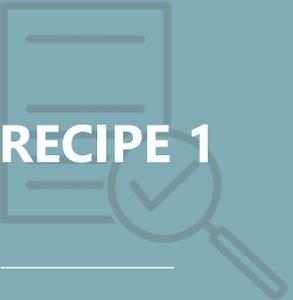
### ➔ FOUR RECIPES FOR FAILURE

# CONTENTS



For each topic:

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

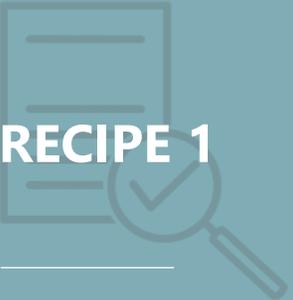


RECIPE 1

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

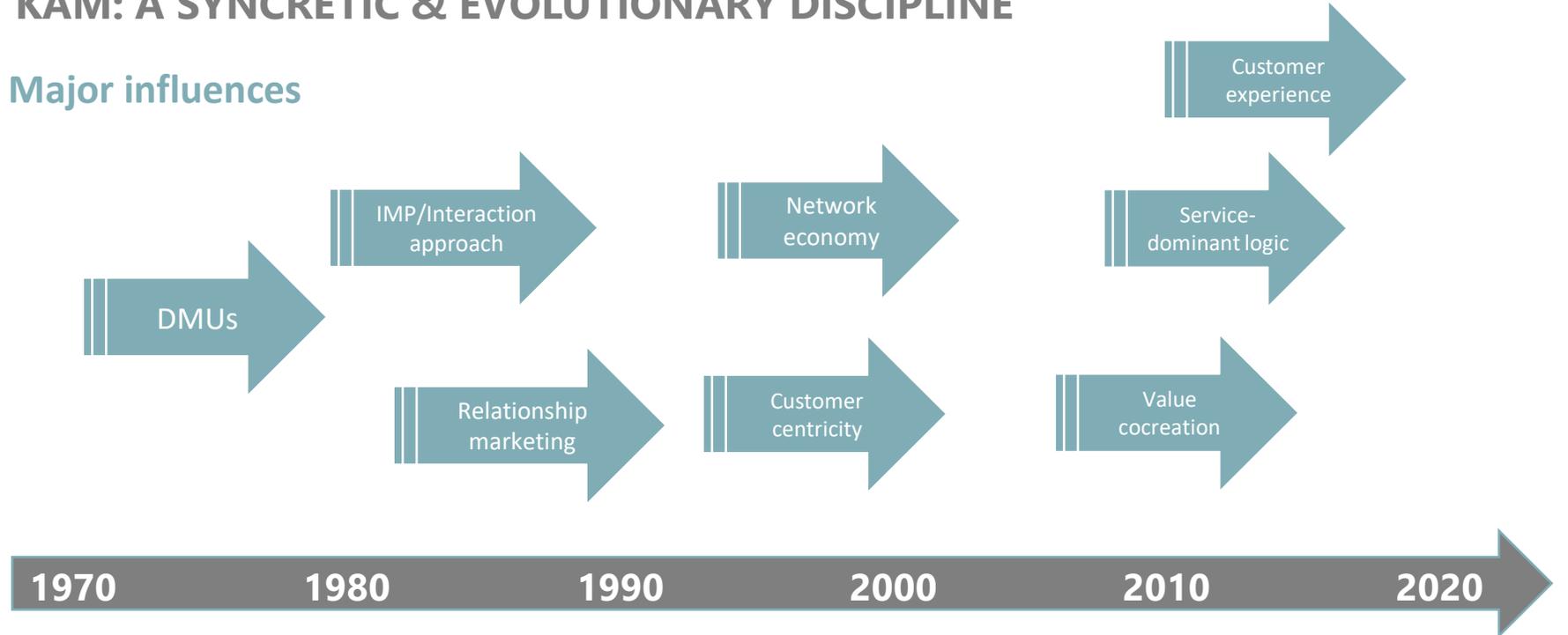


## KAM Knowledge

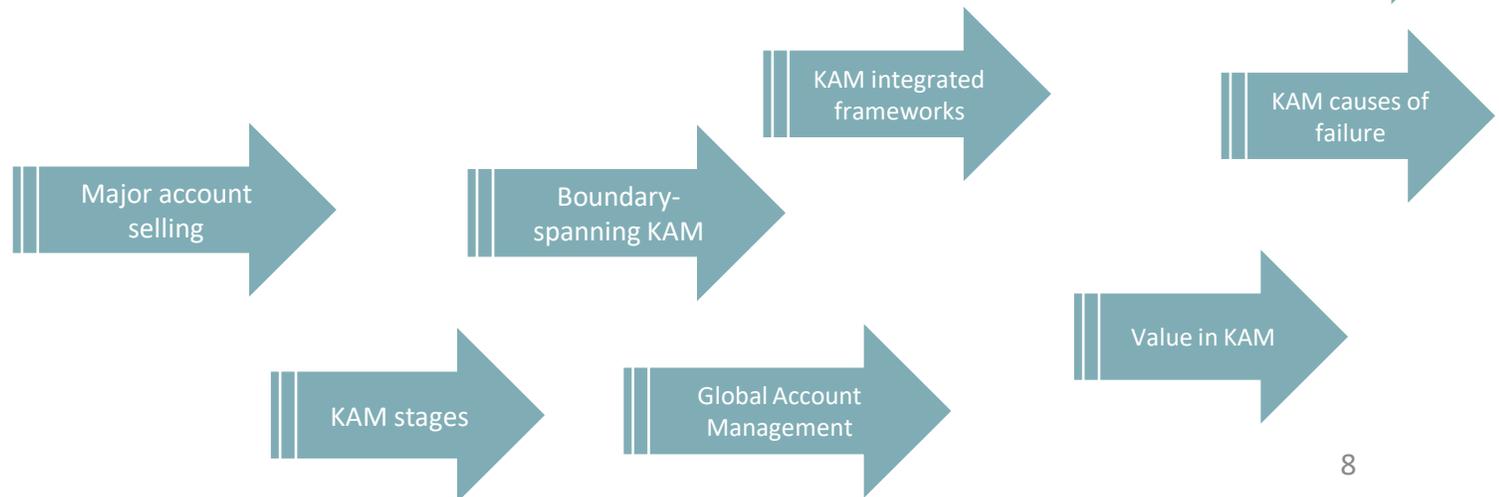


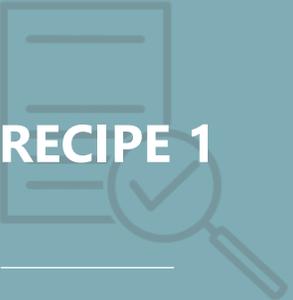
# KAM: A SYNCRETIC & EVOLUTIONARY DISCIPLINE

## Major influences



## Some KAM milestones





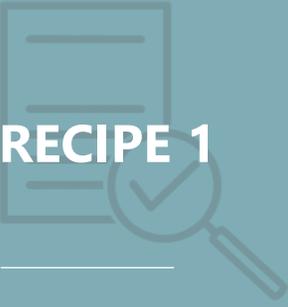
## RECIPE 1

### KAM Knowledge



## How to make sure no one will understand KAM?

- **Some corporations launch KAM initiatives without really defining what they are looking for...**
- **Vague ambition** ("let's reinforce relationships with large accounts...")...
- Blurred short-term **objectives** ("make major sales")
- An obscure **strategy** ("We'll hire this new VP sales & Marketing, she's a real expert!")



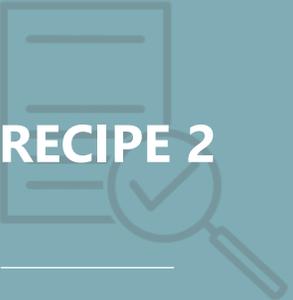
## RECIPE 1

### KAM Knowledge



## Recommendations

- **Get inspiration** from some influential trends: service-dominant logic, customer experience...
- **Define and share an ambition**, with specific objectives
- **Write a strategic roadmap, with clear milestones**: how will you achieve your KAM ambition?
- Train KA Managers but **also systematically train**:
  - **Multifunctional teams**
  - **Managers of all involved functions**: operations, supply chain, quality, etc.
  - **The C-Suite**
- Design and implement a **real change management plan** (not just a newsletter!)



## RECIPE 2

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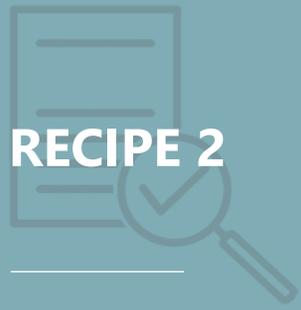
## KAM Results

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**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”<sup>3</sup>

**“Strategic Account Sales Growth per Key Account averages 14% from 12% growth 2 years before”<sup>1</sup>**

**“Performance related to Key Accounts outstrips other account growth in 83% of cases”<sup>1</sup>**

**“22% increase in customer satisfaction & 9% increase in annual profits”<sup>2</sup>**

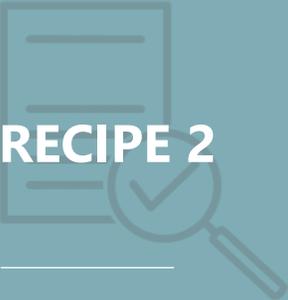


**Sources:**

<sup>1</sup> SAMA 2012 Report on current trends and practices in Strategic Account Management

<sup>2</sup> Capon & Senn (2010)

<sup>3</sup> Montgomery & Yip (2000)



## RECIPE 2

### KAM Results



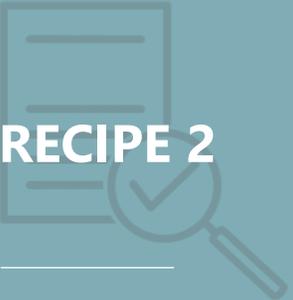
## RECENT RESEARCH HAS CAST DOUBT ON THE OVERALL EFFECTIVENESS OF KAM PRACTICES

- 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

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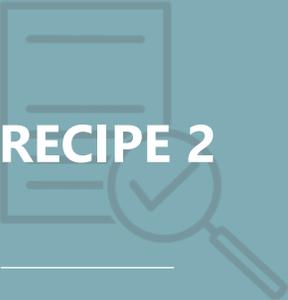
## KAM Results

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## How to generate poor results? Start with a poor account selection

- Some many companies have a **basic segmentation**: “our top 10 accounts”.
- The best way to fail is to **bet on the wrong customers**.
- In some companies, **the “biggest customers”** may not be the “best candidates” for KAM!



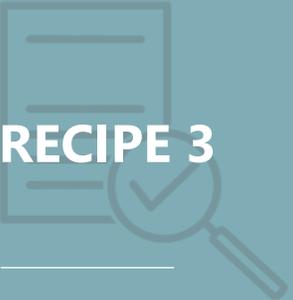
## RECIPE 2

### KAM Results



## Recommendations

- Start by building a **solid segmentation** and select key accounts based on criteria that do reflect you own strategy:
  - Quantitative criteria (e.g., business potential, profitability...)
  - Qualitative criteria (e.g., strategic fit, organisational fit...)
  - Willingness to enter into a truly collaborative partnership
- Build a **business case** for each key account
- Define a **KAM dashboard** that includes **all dimensions of value creation (not only sales)**, update it regularly and share results



RECIPE 3

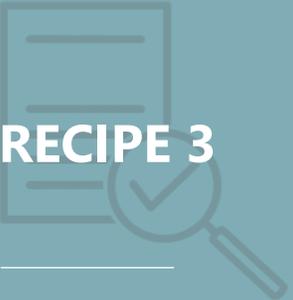
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Customer Centricity

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



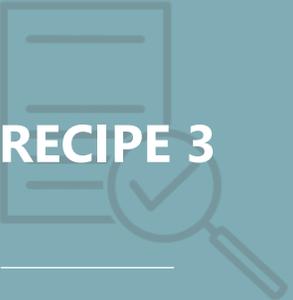
## RECIPE 3

### 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

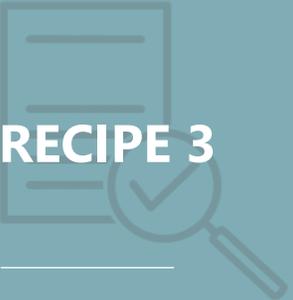
### Customer Centricity



## 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)*



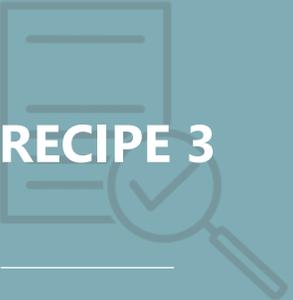
## RECIPE 3

### Customer Centricity



## Making sure not to be customer centric?

- Many companies assume that their Key Account Managers really know their top accounts' expectations...
- Well, in 90% of cases.... They don't, or they limit themselves to classic expectations
- Very few have done some in-depth research on the expectations of all involved stakeholders – whatever their functions....
- And very few have categorized these expectations (e.g., the Kano system: basic / performance / delight)



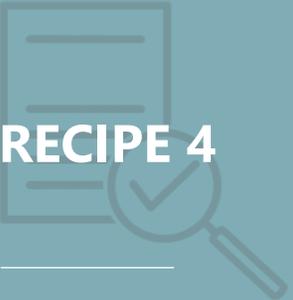
## RECIPE 3

### 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.**

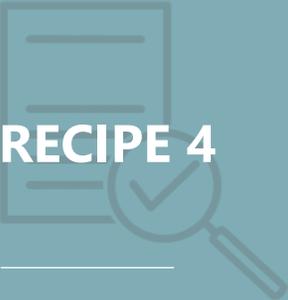


## RECIPE 4

From dyads to triads



# It takes two to tango. Does it?



## RECIPE 4

### 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 4



### From dyads to triads

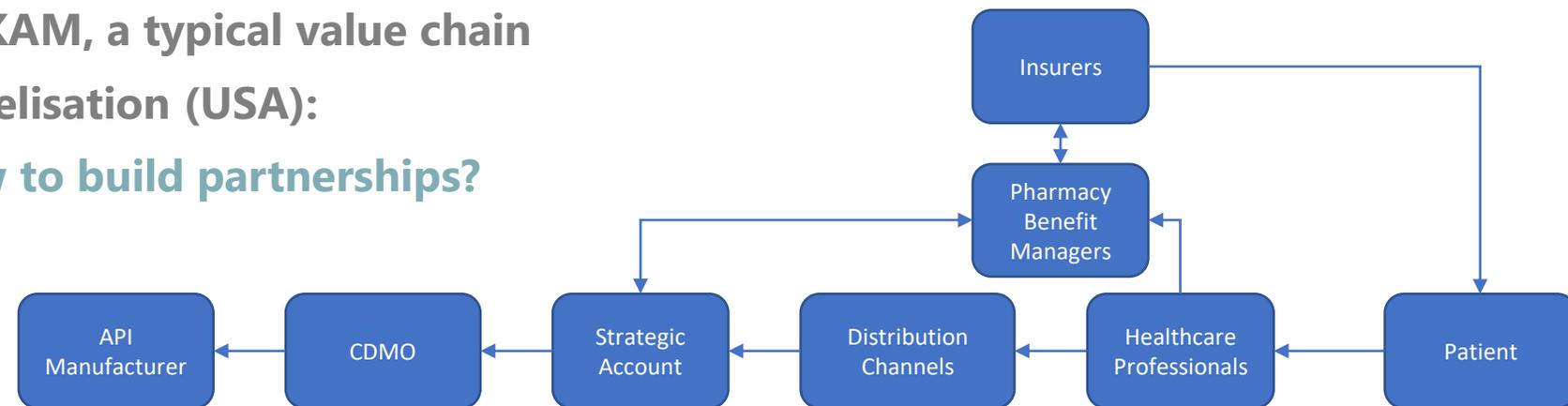


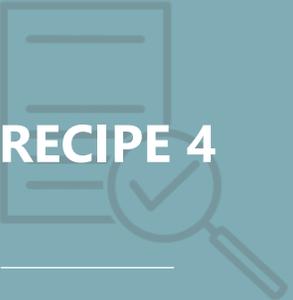
## Willing to miss opportunities?

- For instance, in the pharma world: 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).

- For KAM, a typical value chain modelisation (USA):

→ How to build partnerships?





## RECIPE 4

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### From dyads to triads

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## 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.**

## Four 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
  - It takes two to tango. Does it?
-

# Questions & Answers

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# Next Webinars



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## The buyer's take on trust | **AKAM Members only**

Friday 7th May 2021 | 12:15-1:15 pm CET | 11:15-12:15 pm BST

Armon Mertikian

## Are KAM practices contagious - not always in a good way? | **Open to all**

Friday 28th May 2021 | 12:15-1:15 pm CET | 11:15-12:15 pm BST

Dr Nima Heirati and Yumeng