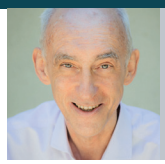
Drawing a line between Account Management and Key Account Management



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The terms Account Management (AM) and Key Account Management (KAM) appear in a lot of business conversations and articles. Listening or reading carefully often leads to the same conclusion: there is a lot of confusion around these two terms.

First, what people mean with each of them can vary tremendously, which leads to misunderstandings. Second, the difference in nature and goals between AM and KAM is often not clear and this amplifies the confusion.

This article suggests a few simple principles to establish clarity and help business leaders correctly position the two subjects.

Account Management = A plain necessity for all organisations

We define Account Management (AM) as the set of methods, processes and practices to manage existing customers.

Account Management covers the commercial relationship, the delivery of products and services, customer support, administrative and contractual aspects as well as satisfaction measurement and the subsequent actions.

The ultimate goals of AM are to ensure the stability and loyalty of the customer base, the profitability of operations and the revenue growth on the whole customer portfolio.

AM should be treated as a key component of a company's operating system. The AM system must be formalised and standardised while adapting to how each customer buys and uses the vendor's offering. It must also take into account the level of revenue or margin generated with each customer. The nature of processes covered by Account Management depends on the type of business: a logistics operator, a manufacturer of electrical equipment and a marketing agency will have quite different components in their AM system. But the essence of what must be delivered remains the same.

From an operational point of view, a good AM system defines how all customer-facing functions (sales, support and delivery, services, customer success) interact with customers and with each-others and how they are supported by back-office functions.

The overall quality of the AM system is the main driver of customer satisfaction and, normally, of profitability.

Seen from a sales rep and sales team point of view, AM defines:

- How each customer is engaged as soon as they have purchased
- How relationships with customer contacts are managed
- How the commercial parameters are managed (especially price and contract management)
- Up- and cross-selling practice and the associated tactics

A crucial component of a good Account Management system is the Commercial Segmentation which consists in categorising and prioritising customers both at organisational level (company, geography, region, ..) and at sales rep level.

The base criteria for the Commercial Segmentation are the current revenue or margin volume and the potential. Elements related to the customer profile and to the competitive position on the account can also be taken into account.

It is crucial to optimise how sales and support resources are used.

A good commercial segmentation helps optimise how sales resources are used as sales and support staff put a stronger focus on the best customers.

In B2B, existing customers account for 70% of the revenue on average, and this proportion is often higher for businesses selling complex products and services. So a clear and well implemented Account Management system is a crucial driver of the commercial and overall performance.

Do all companies see it that way? No. But those who do perform better and the others suffer. The CSO Insight 2018-2019 Sales Performance Report highlighted Account Management as a major missed opportunity for most B2B companies and showed that only 35% of sales executives believe Account Planning is a strength of their organisation.

Key Account Management = A strategic choice and an act of faith

Key Account Management can be defined as the set of methods, processes and practices to create more value for and with carefully selected truly strategic customers in order to accelerate growth and innovation.

True KAM is a key instrument to expedite the execution of a company's strategy. It is often aligned with a focus on selected segments. In the most advanced organisations, the KAM capability is recognized as a core element of the operating model and of the strategic capabilities.

Despite this, although the definition of a KAM programme and the selection of Key Accounts are based on solid

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methods and a lot of data, starting KAM and striving to make it work is an act of faith.

Implementing KAM means introducing new specific processes to:

- define the scope of the programme
- identify, select and deselect Key Accounts
- align the organisation for execution
- allocate resources
- form KAM teams
- design and implement Key Account Plans
- introduce new ways to interact with Key Accounts, including processes to cocreate value.

Account Management	Key Account Management
Managed for stability and short- to mid-term growth	Managed for maximum strategic impact and mid- to long-term growth
1 year action plans based on supplier's strategy – prioritisation and depth based on revenue potential	3-5 year complete strategic business plans unique to account, closely aligned with account strategy*
Works within a perimeter mostly defined by the offering and how the customer uses it	Works on a broader perimeter: Corporate responsiveness, cross-boundary engagement and activity
Focus on expanding the footprint	Focus on joint innovation and adoption of the most advanced offering (with substantial volume potential), aligned with corporate strategy
Controlled investment driven by volume, mostly sales resource (time)	Readiness to invest beyond sales resources
Coordinated approach to account	Holistic, helicopter, longer-term approach to account
Necessary relationships	Many, multi-level, multi-function and senior relationships
Opportunity-focused understanding of customer	Deep understanding of account's business and strategy
Requires Account Manager (in charge of a whole portfolio of customers)	Requires Key Account/ Business Manager and KAM team (focused on one to three true Key Accounts)

* not just personal plan or sales and marketing

None of the above is trivial and real support from the top is required. Implementing KAM always comes with challenges. It pushes the limits of an organisation's culture and capabilities but experienced practitioners all know its transformational power.

KAM also comes with a cost as it uses precious resources: the time of key staff members as well as material and financial resources. So the investment must be controlled and the return carefully measured.

All in all, what matters the most is that, well implemented, KAM pays off. For decades numerous researches have found that companies with a solid KAM practice tend to grow faster than their sector's average and be more resilient to crisis.

Do the Boards of all companies see it that way? Not by a long way, no. But in most cases those who do create a solid competitive advantage.

Being clear on AM versus KAM, why it matters

If both AM and KAM are key contributors to a company's success, why it is so important to make a clear distinction between the two? Because they have different parameters and goals and require a different type of effort to enable the organisation to execute.

A strong Account Management practice allows the organisation to prioritise customers and resources and to leverage cross-functional collaboration to ensure customer satisfaction and growth.

In addition, a very important and often overlooked point is that strong Account Management creates a more solid foundation upon which to build a KAM initiative. When these crucial elements of AM are weak or even absent, driving a KAM initiative is even more difficult. It is like a tower built on sand.

While auditing an existing KAM programme, weaknesses on the AM side usually become visible quite rapidly. The same applies to weaknesses in the field of sales effectiveness.

In terms of skill and capability development, Account Management and Key Account Management have different requirements. Clarity on these differences and on the nature of the needs helps define the requirement for skills development and talent management measures.

Of course there might be a grey area where the two concepts seem to overlap. For example, the nature of your business and the characteristics of your customer base might make it difficult to define a KAM initiative and to identify true Key Accounts. In this case, a safer option might be to first strengthen the Account Management capability, possibly with some specific elements to better manage large customers, and launch a KAM initiative only in a second phase. Conversely, launching or maturing a KAM initiative might reveal the need to enhance specific aspects of Account Management.

All in all, drawing a line between AM and KAM can only be beneficial to your organisation.

In both cases improving capabilities and execution will bring results but the effort to be made is not the same. Being crystal clear about this will increase the chances of success and avoid many troubles.

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