KAM BULLETIN

The Association for
Key Account Management

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FMCG: Can KAM exist in the war zone?

June 2021

editorial

Dr Diana Woodburn
AKAM Chairman

KAMaraderie

We focus on measurement and metrics in this issue of the Bulletin, a subject close to my heart! Many people express personal opinions about the efficacy of KAM, for and against, but there's nothing that speaks louder than numbers in business. Don't forget, though, that there's two parts to the process: first, collect relevant data and second, analyse, interpret and present it. You'll fail to make your point if you try to force people to wade through vast amounts of raw data that may be meaningful to you but not to them. And remember that not all the data you need will be captured by your company's IT system, and that some very useful metrics can be quite simple – number of contacts with key customer people, for example.

Most companies consider themselves customer-centric, but many are not, which they might realise if they measured it! Michael Widing tackles how to approach key account centricity specifically through quantifying the customer experience, and Dennis Chapman follows his excellent webinar with a broader article on metrics in SAM/KAM. Both try to counter-balance the common focus on 'managing by results' - which might be called 'managing through the rear-view mirror'. If your input metrics take a dive, it's very likely your outputs will too. There's more sense in measuring what you can still change before it's too late than just recording what happened in the end. So measure – and be ready to react.

I have been doubtful about whether KAM can exist in FMCG – the retailers are so powerful and tough, and the percentage of their total offering supplied by any one company so small (normally a maximum of 2%, mostly less) – that KAM can seem to be impossible! But Peter Reynolds reckons that some of the best KAM is found in FMCG, perhaps because survival depends on it? His article is a good read and has thoughts for all KAMs too.

"I see the negotiations are in full swing!"

The pandemic still rages across the world, so it's still not clear when we can emerge from our isolation. AKAM is tentatively planning to hold the 4th Conference in Dublin in March 2022, but we will obviously have to assess the situation nearer the time. We would very much like to see you then: to learn from each other, exchange war stories, and just be normal again!

Stay safe and best wishes,

Diana Woodburn

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Institute for Collaborative Working

contents

calendar 2021

Webinars

(To register for member-only webinars click here, for open webinars click here.

Member Webinar
Friday 18th Junel
Vested relational contracts
David Frydlinger, Cirio, Stockholm

Member Webinar
Friday 9th July
Strategic partnership conversations
Dr Régis Lemmens, SalesCubes

Face-to face: provisional, depending on pandemic and travel situation

Conference
TBA March, 2022
AKAM's 4th Conference and AKAM Technical workshop
Expert speakers from business and academia
Technological University of Dublin, Ireland

Member Webinar

Vested relational contracts

Friday 18th June
David Frydlinger, Cirio, Stockholm

What is a vested contract? Are they really legally enforceable?

Should your business be using them?

Are you still focused on the WIFM (What's In It For me)? Learn how to achieve a What's In It For We mindset at this webinar.Find out:

- **What Vested is**
- **How it helps to avoid challenges in customer-supplier relationships**
- **Common pitfalls**

Vested is a sourcing business model used by organisations such as Dell, BP, Johnson & Johnson and Procter & Gamble. David Frydlinger of law firm Cirio is an early and expert exponent of Vested and co-author of the definitive Harvard Business Review article on the subject.

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Steering the customer experience

Michael Widing, CEM expert

It's in your own interest

Working as Key Account Managers means that you are constantly moving your scope from the bigger picture, to the smaller. You need to manage the long-term strategy as well as tactical and operational challenges in order to keep a smooth partnership with your customers. Many people are involved from both your and the customers' side.

As the Key Account Manager you have the overall responsibility to ensure that operations work seamlessly, here and now *(Ed. Some companies try to offload this onto other staff. It doesn't work, customers don't accept it.)*, but you also need to stay one step ahead in understanding coming needs and to feed these back into your organization.

It's within this last step, understanding needs and feeding them back into your organization, that Customer Experience Management (CEM) processes can serve your interest the most.

Working on the frontline, meeting customers on a regular basis, means that you will receive a constant flow of customer feedback, both negative and positive. Through this you have a unique position within your organization, since you have a much clearer understanding than your backstage colleagues of how your products and services are received by the market.

Unfortunately, often there are no established processes to make sure that these customer insights are debriefed from the frontline and brought straight back to functions like R&D, Marketing, Production, top management and all other support functions. They need these insights to understand what to prioritize in order to improve the customer's experience and make it easy to do business with you.

As Key Account Managers it's in your interest to develop the CEM process, or urge your executive leaders to understand how important it is to base all decisions on real customer needs.

The 3-step process of Customer Experience Management

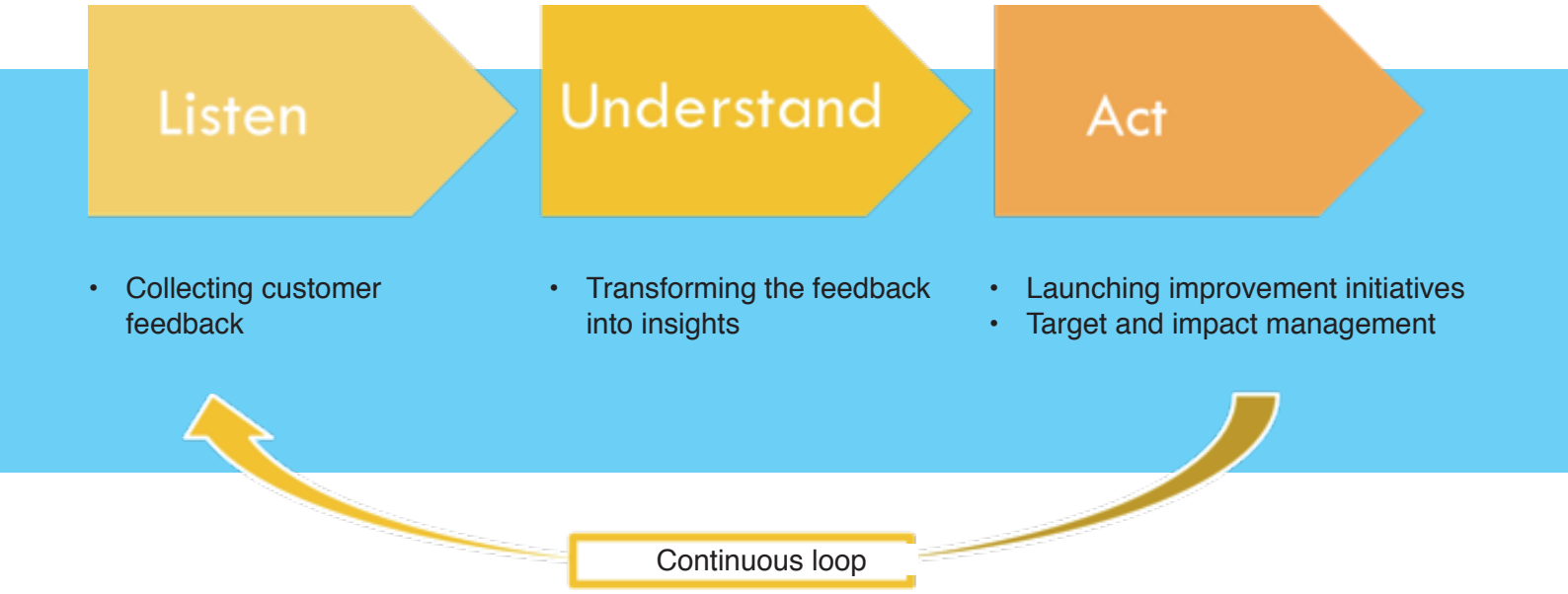
Step 1 – Listen

The first part of the CEM-process is about being able to listen to your customers.

You know all about this, but remember that the rest of the organization rarely meets customers and they don't have access to first-hand feedback. Help them to see what you already know by collecting feedback from different customer segments in a structured way. Analyze and interpret the gathered feedback and help the support functions to see their own work from the customer's perspective. Help them to become better in supporting you by improving the customer experience.

E-mail surveys are recommended to start with since they are reliable, have a global reach and are quite cheap to set up. Send them out twice per year and try to reach customers from all segments and markets. Surveys are quantitative which means that they are efficient when it comes to numeric questions (e.g. 'How likely is it that you would recommend us to someone you know, on a scale 0-10?'). The answers will provide you with insight on how your KPIs are developing and it will show you what major problem areas you have. But the method will not give you answers on why the customers experience problems or what to do to avoid these problems.

For this you should also introduce a second step in collecting the feedback: the qualitative method. This is typically an interview, which can be a face-to-face meeting or conducted over the telephone. It's an expensive method



Steering the customer experience (cont.)

since it takes quite long time, and therefore has limited reach. Save this for your largest accounts and introduce it as a yearly evaluation session where you discuss your cooperation and how to deepen your partnership. This is where you ask the customer what they would like you to change – What should we do differently to make it easier for you to do business with us?

By combining both the quantitative surveys and the qualitative interviews you will get a good understanding of which areas to improve and what the customers think you should do.

Step 2 - Understand

This is when you analyze all the customer feedback that you have collected.

At first it seems as if you have gathered an endless amount of customer voices and unique feedback, but after a while you will start to see a pattern. The feedback is saying more or less the same thing and usually there is not more than 5-8 unique root problems that the customers are addressing.

These problems, or focus areas, is where the key to improving the experience lies. But not all problems are equally important, and you shouldn't invest equal resources in improving all of them.

The trick is to determine how much each of these problems drives negative customer satisfaction and to rank them accordingly. Let the customers tell you the ranking of each problem area when you collect the feedback in step 1.

Lastly you need to quantify each problem area to understand how much of your customer base shares the same problems. This is important: it can be that you are only collecting feedback from a specific customer segment or from a specific geographical market and thereby not capturing the statistical truth.

Step 3 – Act

The last stage is the hardest. This is where the business must step up and take over.

Insights should be shared with a cross functional team in which all parts of the business are represented. The problem areas are discussed and ranked according to how much they drive customer satisfaction. Together you will come up with several ideas of improvement initiatives. Some of the ideas are quick and rather simple to implement, whilst others are complex and require major changes within internal processes or IT systems.

The problem areas will 'belong' to different parts of the organization and their processes. So it's natural that the solution lays within their ownership as well, and the improvement initiatives should be run and reported by that part of the organization. Usually this means that, due to the customer feedback gained, some parts of the organization need to change and do things differently, which naturally will meet some resistance at first. But use the customer feedback, which represents statistical proof of how urgent are certain problem areas, to help you build a business case to create engagement from all parts of your company.

Customer driven business development

The 3-step process never ends but is a continuous loop. Your customer surveys and interviews should never stop and the analyzing of data should, after some time, not only bring attention to new problems but also eventually start to show results. Customers will stop complaining about issues that you have addressed and fixed and the surveys should confirm that.

In this way you will have a never-ending customer driven business development process up and running. Customer Experience Management is a pragmatic way to help your organization become more customer centric through understanding and acting upon the customer's needs.

Michael Widing has worked with Customer Experience Management for 20 years. Contact him through https://www.linkedin.com/in/michael-widing-54806a2/

Three level model of KAM metrics

Dr Diana Woodburn, AKAM Chairman

Most organisations have an avalanche of data at their disposal and still find they don't have metrics that satisfactorily represent KAM. This model was identified by a group of companies exploring the issue, starting with the highly relevant question 'Who cares?' Because if nobody wants to know and is ready to act on the information, there's no point in collecting the data.

The group highlighted three pertinent levels of activity with different decisions to make about KAM:

- Board of Directors
- Cross-functional middle management including key account managers
- Operations

It surely makes sense to tailor your KAM dashboard to these different levels of interest. And since just about every organisation has this same simple structure, including key customers, it should not be surprising that they are generally interested in the same metrics (see diagram).

1. Strategy: Board of Directors

Boards generally do not want a deluge of data. They want to be able to make evidence-based decisions and objective assessments of KAM strategies that will maximise ROI. High-level metrics like ROI, the asset value of customers, risk and opportunity are what they want to see. That will allow them to make better decisions on these issues and more:

- Key customer selection
- Customer portfolio management
- Key accounts' contribution to corporate goals and planning cycle
- Resource allocation/prioritisation
- Response to new multiple customer requirements

3. Price and performance: Operations

The bulk of the data you already have will probably be about things like service levels, price, revenue, volume, OTIF, failure rates etc. It's important to benchmark any metrics, and the benchmark for performance should be the Service Level Agreement, although many companies use the previous year's performance. But that can give a false illusion – in the customer's eyes, better than last year isn't good enough if it falls short of the SLA.

Key account managers certainly need to be aware of, concerned by and supportive of these metrics, but they do not lie within their responsibility: that belongs to Operations.

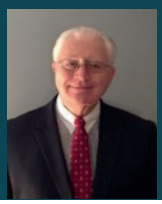
2. Realisation of strategy: cross-functional middle management including key account managers

These are the metrics that key account managers need to put in place for each key account so they can monitor and evaluate their own progress, and reflect it to others in the organisation.

Take a look at these measurements and those in this issue's other articles and identify your own 'necessary and sufficient' set of metrics. Then start to work with them: it's a great way of focusing on the really important parts of the job.

Level 2 metrics

Sales? Always, but a fickle metric: unreliable indicator of KAM quality or future and may be poor quality business.	**Customer relationship** Many approaches available: no. of contacts, seniority, quality of relationship
Customer profitability Gross margin not enough: should be contribution after all logistical and customer management costs	**Customer satisfaction** Customer's view of supplier's business strength v. each customer's criteria
Customer retention More indicative than sales, is your share of their spend of goods and services like yours growing or shrinking?	**Customer riskiness** Often discussed, rarely measured but fully possible v. supplier set of risk criteria. (Solvency not nearly enough)
Business extension Better indication than sales, additions of products new to account or current products to new customer locations?	**Key account attractiveness** A compound metric against supplier's criteria (see first AKAM webinar)
Contribution to KA portfolio Portfolio position indicates performance expectations: esp growth/ profit.	**KAM input** Quantification of investment in customer, monetised or at least quantified.



Integrating science - metrics - into the SAM/KAM process

Dennis Chapman, The Chapman Group

As businesses continue to move through the era of the global economy and analytics (i.e. one driven by validated facts/measurements) timely situational assessments and appropriate corrections are required. We are now also well entrenched in the era of "big data". Right data (facts/metrics) now serve as the foundation for businesses and leaders of those businesses to be more informed with supporting analytics to guide most, if not all decisions.

We have already adopted metrics in various areas of our personal and business lives, like the business impact of Global Positioning Systems (GPS) in the transportation industry. Managers of fleets of trucks can change routes, drivers and even individual truck performance at a moment's notice, based on dynamic data being received and analyzed by a central GPS system. And now we can track packages throughout their journey to an end recipient.

Metrics are the science side of Strategic/Key Account Management S/KAM), the focus of this article, which will share approaches and insights into five common questions about metrics and their application in S/KAM:

1. What is continuing to drive the use of metrics?
2. How can my organization begin to employ the right metrics?
3. What will metrics do both internally (our organization) and externally (with the account)?
4. What challenges can we expect?
5. Are your current metrics working for you/enabling you to be a "Change Agent"?

What's driving the use of metrics?

Today's emphasis is on measuring everything in the quest for optimum performance. S/KAM has been going through a similar ongoing metamorphosis for the past 40 years. Many organizations, across all

industries now recognize the importance and value of measurements and metrics! Why such emphasis?

> Metrics provide key insights and calibrations to a cross-functional team on performance, value, adaptability, and alignment to accounts and markets, enabling organizations to take the right actions now and institutionalize excellence.

The art of selling and individual excellence in previous eras the art of selling and individual excellence were the core success drivers of a S/KAM program. It has now been recognized that S/KAM is a cross-functional team process. Therefore, the first answer to "Why metrics?" is that it is now necessary to have available as many correct facts as possible (data/metrics) that measure performance and efficiencies for a cross-functional account team to execute effective account relationship planning/ management.

The second answer to "Why metrics?" is that we live in a business (and personal) world that understands and has bought into the value and use of measurements. We are all now focused on and driven by accurate facts and numbers. A common response is, "Look it up"! If you cannot prove/validate it, it is probably not accepted nor actionable!

And there is an element of gamification that plays into our use of metrics. An account team can have a benchmark to work toward improving. Now everyone is viewing data on iPhones, PCs, iPads, etc, the time is right for metrics in S/KAM.

> Metrics are predictors. They provide indicators for change/improvement and act as a counterstrategy to global competition, escalating costs, and reduced account loyalty/ commitment.

How can my organization begin to employ the right metrics?

Probably more appropriately stated as "My organization needs to employ metrics in its strategic/key account management practice. What's the best way to make this happen?"

First recommended actions:

1. Determine what you currently measure versus what you should be measuring.

Integrating science - metrics - into the SAM/KAM process (cont.)

2. Determine what your systems will allow you to capture and measure.
3. Determine what your accounts are expecting you to deliver and how to best measure success.

All organizations can employ metrics. They already do. Sales history, inventory, account satisfaction results, and seasonal trends are all examples of metrics used in today's businesses. It is recommended that organizations think more strategically about the future of their account relationships and the value proposition between them and their accounts.

Experience has demonstrated that some of the most valuable right metrics, in addition to traditional sales and financial data views, include:

1. Relationship Network Assessment – 3x3x3 (High-Wide-Deep) Contact Penetration
2. Account Team Performance – High-value activity management
3. Voice of the Account (VOC) – Account retention, growth, and overall commitment
4. Opportunity Qualification/ Management – Improvement of close vs. opportunity ratios
5. Economic Value Propositioning – Delivering ROI

These five metrics can help predict the future.

- Relationship Network Metric – Assessing the situation surrounding account relationships and overall penetration involves measuring primary indicators that include management level, alignment, influence, internal decision-making roles and degrees of trust and dependability.
- Account Team Performance Metric – An ongoing metric that depicts account team performance includes assessing key indicators of future success: accomplishment against tasks, sales, profitability, growth trends, activity performance, market indicators, serviceability cost and the account's own growth trends.
- Voice of the Customer (VOC) Metric – Measuring account/relationship loyalty/commitment should not be confused with measuring account satisfaction. Account satisfaction is an assessment of the account relationship based on a moment in time; a relationship metric is an ongoing assimilation of data that provides dynamic assessments of ongoing shifts and associated drivers of those shifts in the account relationship.

  While many of the same factors of account satisfaction may be part of a loyalty/ commitment assessment, a relationship metric addresses two key elements of the relationship:
- – Performance – including people and relationships, product, solutions and services, and organizational alignment and fit – measuring account attitudes toward these relationship drivers.
- – Commitment – including importance of the relationship and likelihood to recommend – providing an assessment of probable account behaviours based on an account's response.
- Opportunity Metric – Opportunities need to be quantitatively measured to assess the probability of winning. There are several indicators in the opportunity management process that accomplish the following:
  – Eliminate forecasting issues such as accuracy and timing.
  – Focus the team on key strategies and actions that lead to winning opportunities.

  The most common measurements about an opportunity that dictate the real state of an opportunity include:
  – Timing
  – Contact with and alignment of decision-makers and influencers
  – Competitive situation
  – Budgets
  – Buying cycle and history
  – Need, priority, and solution alignment
  – ROI and the compelling financial reason to act: economic value proposition
- Economic Value Metric – Organizations need to develop and utilize this metric more than ever. Most suppliers have been challenged by buyers to communicate their economic value proposition, or in other words, the ROI they are providing to buyers for every dollar of spend. Determining the economic value proposition is no easy task, but achievement is expected. Use this formula to determine the economic value quotient:

  = Dollars spent: for hard goods or services delivered

  Dollars (revenue) gained, expenses reduced, or risk cost avoided

Sample Economic Value Calculation

= $1,000 (Cost of goods/services delivered)
$2,000 (Gained from a new process improvement)

Economic Value Quotient = 0.5 (ROI is positive if less than 1)

The ideal outcome is when the quotient is < 1, which captures and validates gains that exceed the cost of expenditures, hence a favorable ROI. This should be a key focus for cross-functional S/KAM teams as part of their ongoing performance measurement system. Today's accounts expect this calculation to be created, delivered and validated for accuracy.

Integrating science - metrics - into the SAM/KAM process (cont.)

What will metrics do for our account and for us as a strategic supplier?

Metrics provide three important outcomes:

1. Simple and accessible measurements on the status of the relationship. From these measurements suppliers can build, optimize, and connect their value proposition to the priorities of senior-level account influencers.
2. Facilitate the team's, and in some situations the account's, key next actions.
3. The ability to coach the team in the absence of skilled and/or available coaching resources.

Metrics are available on-demand, 24 x 7. They are like the gauges in our car. Anytime we view our gauges, they are providing us intelligence about our speed, fuel, oil level and distance traveled. Based on this data, we can take immediate and appropriate corrective action if required

> Metrics are simple, numerical algorithms and calculations that are user-friendly and a by-product of the execution of S/KAM best practices.

What challenges can we expect?

Expect to encounter at least five key challenges when introducing metrics into S/KAM practice:

1. **Access to and availability of data**: Some corporate systems are not yet integrated enough to allow for some of the necessary data required for analysis, i.e. data is managed in multiple, non-integrated systems.
2. **Buy-in from all members of the organization, top-to-bottom**: Many business leaders are familiar with traditional skills and practices in account management. The use of metrics, and more specifically predicative analytics, is a breakthrough strategy. Acceptance and buy-in may take some internal selling.
3. **Alignment of metrics to an organization's own unique culture, business, and account portfolio**: This will take some effort and a company should consider soliciting some outside expertise.
4. **Budgeting of efforts to support new metrics:** Most metrics may need to be customized and integrated into existing technology platforms. They will need to be deployed with user training. These efforts take time and money and may not be in existing budgets.
5. **Utilization:** In a hectic, reactive work environment, many companies revert to their previous, most "comfortable" practices. Staying the course with new metrics is not always easy. You may need an analyst to support your SAM/KAM program.

Are your current metrics working for you and enabling you as a change agent?

Answer the following questions (Y/N) to help determine if you truly have a metric-based S/KAM strategy:

- ✓ Do you know, based on account feedback, which strategic/key accounts are most loyal/committed to you?
- ✓ Do your strategic/key account teams base their direction/planning on account feedback for action?
- ✓ Do you always know (predictability) if or when you will lose or gain significant revenue from an account?
- ✓ Do you have measurements, besides sales, that indicate if your account team is effective?
- ✓ Do you know enough supportive senior level influencers/advocates in your strategic/key accounts?
- ✓ Do you currently have documented/ validated economic value propositions?
- ✓ Is your revenue forecasting of opportunities within a 10% level of accuracy?

There is a need to be a change agent. Business leaders are expecting facts (metrics) to support any suggested change and/or investment. Metrics will provide you and your leadership team with the facts necessary to support any recommended change, enabling you to be a more effective/fact-based change agent.

7 Tips for implementing metrics

To be successful at implementing metrics in your organization, consider:

1. Conduct internal process workshops to analyze your needs.
2. Meet with an account and ask what they would want you to measure and improve - if in doubt, solicit the help of an outside resource (experience in metrics is a must).
3. Start with three key metrics for your business.
4. Ensure that you have top-down support in your organization for this initiative.
5. Select a short list of immediate wins.
6. Integrate them into your Account Plan – helps ensure visibility and use
7. Have patience – significant return on investment takes time.

One final and important thought…

Metrics serve as an invisible S/KAM coach. In the absence of a daily review process, or an interactive sales leader, metrics continue to assess and suggest critical strategies and tactics to employ in order to ensure important account revenue retention, acquisition, and development.

Dennis Chapman, Founder/CEO The Chapman Group, www.ChapmanHQ.com, dchapman@chapmanhq.com

Can KAM exist in the FMCG war zone?

Peter Reynolds, Inspired Client Management

Key Account Managers arriving at Morrisons Supermarket's head office encounter the grocer's first negotiation tactic before they set foot in the meeting room. It's subtle, which is why most KAMs fall for it. A few see it and laugh quietly before turning their attention back to their phone. Many sigh as their shoulders drop, looking anxious and slightly paler than before. It is playful intimidation, like a cat toying with the mouse. But the comic-strip characters are telling every KAM who reads them who has the power – and it's not the KAM.

Two cartoons hang in a frame on the waiting room wall. The first shows a gap in a limestone wall, typical of those found in the hills around Morrison's Bradford home. Gathered on the uphill side, a flock of sheep, eager to pass into the next field where the grass is more appetising, look terrified. On the downhill side, a salivating wolf asks "Who's first?"

In the second, the Viking warrior Hägar the Horrible stands armed with swords, a spear, knives, a club and his shield, on his way to sign a peace treaty with the King of England. His wife asks "So why are you taking all those weapons?" "Because first we have to negotiate!"

The cartoons caricature the famously hostile environment in which suppliers and large customers in the fast-moving consumer goods (FMCG) industry do business. Reports of relationships and individual meetings read like despatches from a war zone where carpet-bombing, hostage-taking and drone strikes translate to mass product de-listings, unjustified extreme threats and huge financial penalties imposed without discussion.

Can "pure" Key Account Management thrive in this environment?

Industry structure influences the supplier-retailer relationship

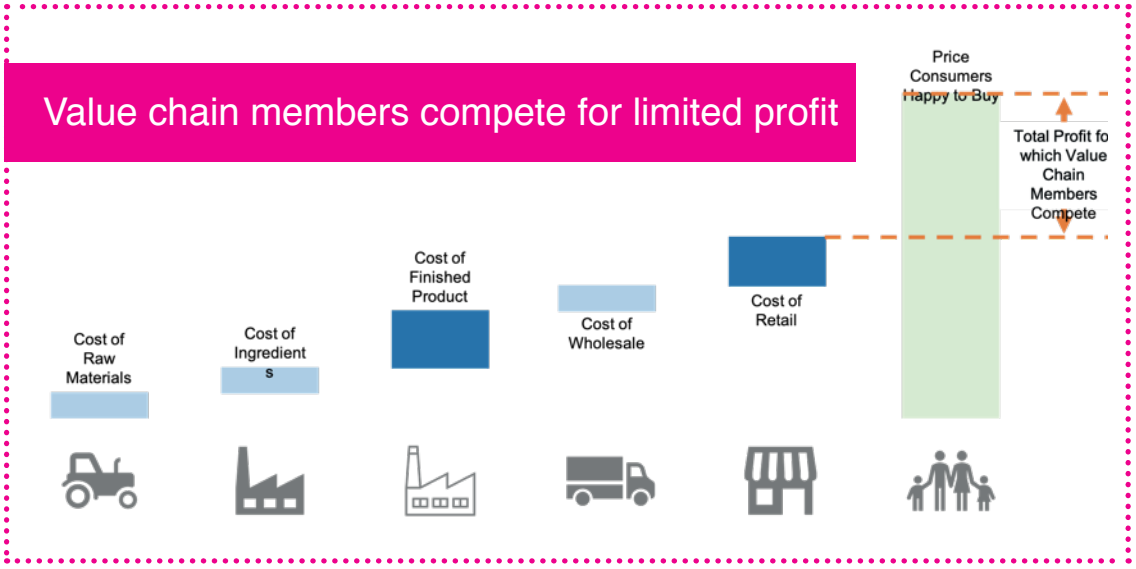
Such confrontational relationships cannot be good for business, can they? Yet they persist like rain during the English summer. The reasons are mostly structural. At the heart of the relationship is a scare resource – profit (see the diagram). Every participant in the value chain strives to increase their share at the expense of someone else. At the end of the value chain, the consumer caps the available profit by deciding at what price the product represents good value and is worth buying. Upstream, farmers compete with processors who tussle with manufacturers who battle it out with wholesalers and retailers to grab as much of the profit as they can. There is no mechanism for deciding fair shares – higher profits go to those who have the scale, skill and tenacity to fight hardest for it, which usually means a battle between the manufacturer and retailer.

Manufacturers and retailers tend to compete hardest because they invest the most to create value – manufacturers, by developing innovative, high quality products that drive consumer demand; retailers, by providing access to millions of shoppers and consumers without which manufacturers see their products suffocate and die.

Manufacturers that own big brands and that invest to grow demand perform better in the contest with retailers than manufacturers who just copy. Small suppliers with genuinely innovative products that satisfy emerging consumer needs also do well (although they sometimes undervalue their offer and let retailers win a higher share of profits than they deserve). Many private label suppliers do well too, especially those who provide something different that creates incremental category sales. We'll look more closely at the category later in the article.

Yet it's because so few buyers can grant or withhold access to millions of shoppers and consumers with the click of a mouse that retailers hold such power over suppliers. In reality, the relationship is more co-dependent: retailers need manufacturers' products and promotions to constantly attract huge numbers of shoppers into their stores and convince them to spend more of their grocery budget with them rather than another retailer.

There are truces in this war where both sides cooperate to achieve shared goals. But these can be short-lived,



Can KAM exist in the FMCG war zone? (cont.)

shattered without warning if the retailer is forced to react to an initiative from one or other of its rivals. Grocery retailing is a vicious business where everything can change in an instant. It's an important goal of Key Account Management to increase the frequency and duration of these truces so supplier and retailer can do more productive work.

Key Account Management excels in FMCG

This hostile, confrontational, competitive environment seems neither conducive to "a supplier-led process of inter-organisational collaboration that creates value for both supplier and strategically important customer," nor to "offering individually tailored propositions designed to secure long-term profitable business through the coordinated deployment of multi-functional capabilities".

Yet it's precisely because they operate in a war zone that FMCG suppliers have some of the most effective Key Account Management programmes and some of the most skilful Key Account Managers in any industry.

FMCG suppliers that succeed with Key Account Management excel in three areas:

- They do the basics very well
- They concentrate on growing the category first, brands second
- They create value across the entire relationship

Doing the basics well

Early in my career as a Key Account Manager, I created a growth plan for one of the top four UK grocery retailers. Adopting the plan would have meant significant revenue and gross margin growth for both the customer and my organisation. Fully prepared, I was excited to present the plan and win the support of the buyer. But I didn't even open the presentation.

At the start of the meeting, the buyer recounted every instance during the previous year that we had failed to deliver an order in full or on time. "Until

you can get the basics right," he told me, "don't bother presenting a plan for growth. I'm not interested." I left the meeting crestfallen but with two important lessons learned. First, focus on the customer – I'd have seen this coming had I not been totally absorbed by the beauty of my plan. Second, the buyer was right: DO THE BASICS WELL before proposing something more ambitious. And there is nothing more basic than fulfilling an order in full and on time.

Doing the basics well builds trust. Reliability is the foundation of a trusting relationship. How can a company be trusted to deliver a complex growth plan if it can't deliver a simple order?

In FMCG, the basics extend beyond on-time, in-full deliveries. Product quality, shelf life (the time before the product reaches its Best Before date) and promotions are among a long list of "table stakes," minimum standards that suppliers must reach to be allowed into the game.

Doing the basics well is a requirement for Key Account Management in any industry, and FMCG is no different.

Concentrate on growing the category first, your brands second

Imagine that you are the Key Account Manager for a company that sells beer. You create a plan that, when successfully implemented, will result in sales growth for your brands of €5m a year. The retailer rejects your plan because it has no effect on the overall sales of beer in their stores - all it does is transfer sales from other beer brands to yours.

The retailer will support proposals that increase their total sales of beer – the category – not those that merely help one brand win share from another (unless the retailer makes a significantly higher margin from it). So, suppliers can reduce conflict and increase cooperation by having category growth as the core of their strategic account plans.

A few suppliers adopt a strategy of category leadership. They invest heavily in research and analysis to discover emerging consumer needs that will drive category demand in the coming years. The unique insight they gain means they can choose which of these growth drivers to exploit with their own brands or through new product development. They get first-mover advantage for the most lucrative opportunities that sustain superior profit into the future.

In doing so, these suppliers create value for retailers by both identifying drivers of total category growth and developing the product and other solutions that will capture that growth.

Can KAM exist in the FMCG war zone? (cont.)

Both suppliers and retailers must satisfy shopper and consumer needs to suceed

These suppliers reinforce the co-dependency in the relationship.

Of course, most suppliers don't have the money or the capability to be category leaders. But they can still build their strategic account plan on a foundation of category growth by exploiting opportunities that the category leader doesn't want but which still drive category sales for the retailer.

All suppliers, whether category leaders or not, have possibilities for Key Account Management to create mutual value beyond the core products or services.

Create value across the entire relationship

Click onto any retailer's corporate website and you'll discover their high-level objectives and strategies – sustainability is chief among them at this time. Click onto major suppliers' websites and you'll find that they, too, are committed to sustainability, so retailer and supplier have shared interests. The strategic account plan should include a programme to advance shared interests to mutual benefit.

Key Account Management creates value beyond core products and services, not just through these flagship corporate initiatives, but by improving every aspect of operations where mutual gain is possible. Retailers are obsessed with operational efficiency because their net margins are so small. Suppliers that can help their customers reduce stockholding, reduce the cost of filling shelves, unload deliveries faster, place and track orders automatically, or make one of a thousand other operational improvements, will advance their commercial relationship. Those who refuse to adapt will often find themselves forced to adopt costly disruptive change.

Does "pure" Key Account Management thrive in FMCG? What does "pure" mean? Does Key Account Management create mutual value? Of course! It goes beyond mutual value by creating value for millions of consumers every day.

FMCG boasts some of the highest standards in safety, choice, freshness, innovation and value of any industry. It often leads global causes like reducing the use of plastics, reducing CO2 emissions, improving food yields.

Neither the retailers nor the suppliers could achieve this on their own. The creative tension and constant mutual challenge between them energise the continuous improvement and innovation that make the industry so successful.

Without effective Key Account Management much of the huge contribution to satisfying consumer needs – and to growing the industry – would be lost. Effective Key Account Management is indispensable.

Which leads to the three characteristics of successful Key Account Management in FMCG.

Characteristics of successful Key Account Management in FMCG

Of all the characteristics of successful Key Account Management in FMCG, three stand out.

1. The most successful suppliers know what their customers are trying to achieve, the problems that slow their progress and the gains they hope to achieve. They concentrate their Key Account Management on finding mutually beneficial ways to help their customers prevail.
2. Suppliers gain more when they take the initiative – they apply their customer knowledge and move first with solutions that work for both their customer and themselves.
3. Suppliers must be assertive. Finding opportunities for mutual value is all well and good but suppliers must make sure that they capture their share of the value. Retailers aren't obliged to share the gains (which is maybe why purists think "real" Key Account Management in FMCG isn't possible).

Some of you might be disappointed to learn that the characteristics of great Key Account Management in FMCG are the same as in your industry. But that's the point! Whatever your industry, as a Key Account Manager, you experience periods of cooperation, collaboration, maybe even glimpses of partnership. You also experience periods of animosity, opposition and maybe even hostility. Whether arrows are whistling past your ear, or you are marching along a common path with allies, Key Account Management adapts to prevail.

Peter Reynolds, Director Inspired Client Management Ltd, peter@inspired-cm.com

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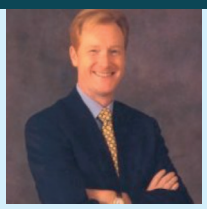

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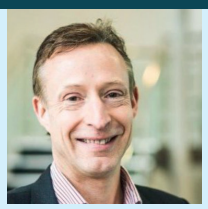

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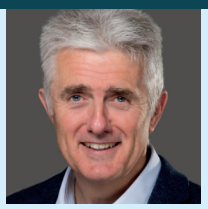

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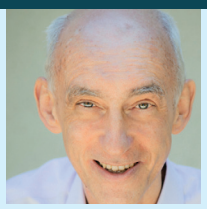

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- **member-only webinars, monthly from April**
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- **and more support and advice ….**

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- seat on the AKAM Board with opportunity to influence its direction
- close engagement with and support from AKAM

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