



Integrating science - metrics - into the SAM/KAM process

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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.

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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

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)

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 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.

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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.

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