

Key Account Management: Selling? Providing Services? ...Or both?



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Key account managers' mission should not be limited to classical sales. Rather, they should be seen -and see themselves - as service providers, both towards their customer firm and inside their own firm.

Key account management (KAM) has emerged through a shift many sales organizations have undergone: away from product- or area-focused structures and toward a clear focus on strategically important customers.

Moreover, in their work as a network managers, two major tasks co-exist for KA managers: selling and providing services for both their customer-side network and internal network. While selling is a traditional role, the role as an internal and external service provider is a new and additional function. It involves detecting possibilities for value creation through services, designing value-adding services, pulling together the required resources, and ensuring that the services are implemented to reach the objectives.

It's not enough to just re-think reporting lines or sales people responsibilities.

In this article we will:

- describe the role of the KA manager as a network manager.
- explain the modern role of the KA manager as an external and through a case study internal service provider.
- illustrate our ideas and potential barriers to KAM as service provision through a case study.

- discuss the opportunities and potential challenges of implementing KAM in a combined selling and service provider perspective.

KAM and the KA Manager

KAM is “a concept through which companies introduce the principle of re-relationship marketing into their customer policy and become closer to the customer. They select important customers in order to – based upon an increased individualization of business processes – better interact with them and possibly integrate them into value creation”. This implies that a company’s performance strongly depends on its ability to manage a limited number of customer accounts, the so-called key accounts (KA).

KAM differs from classical sales management in that KA managers fulfill a coordinating role between two networks of relationships (**see Figure 1**). A business network is defined as a set of two or more relationships between entities that are more or less directly related to each other in the value creation process.

On one hand KA managers needs to manage a set of connections between their own company and the KA, generally with similar units such as purchasing, logistics, or R&D on the client side. This range of connections is generally broader as compared to the condiplomacy a classical deals representative needs to manage.

As network managers, KA managers’ tasks are both selling and providing services. In addition, they

need to understand the links and possible interdependencies or conflicts among their network connections on the client side. They need to dissect the implicit impact of these links on their establishment’s business with the client and develop approaches to align these links with their own business objects. If two client-side departments have clashing objectives with respect to the supplier, the KA manager needs to identify ways of interacting with both units that minimize the conflicts.

On the other hand, KA managers need to manage a network of relationships inside their own company. Because a KA manager is a relational coordinator between the strategically important account and their own firm, they integrate the required units inside their own company.

Both sides - internal and external network management - are important elements of the KAM concept and required for KAM performance. From an internal perspective, KAM creates value for the KA and the supplier by coordinating numerous complex and customer-specific processes. From an external perspective, KAM creates value for the KA and supplier by constantly improving the fit between the selling organization’s value offer(s) and the needs of the KA.

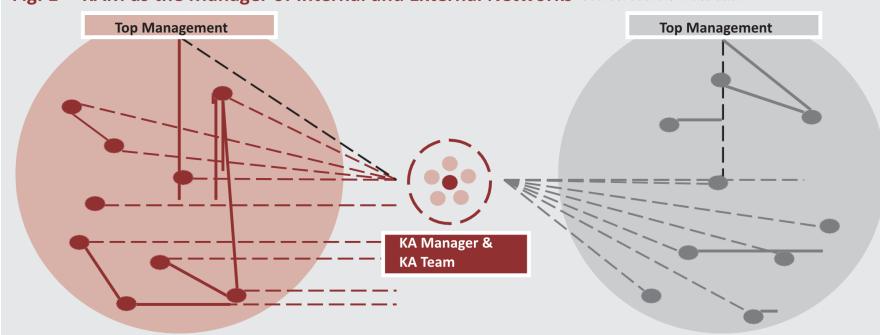
KA managers as service providers

From salesperson to service provider

KAM has evolved as a specialized task in the sales function. Studies have shown that different forms of implementation exist, differing in the relative importance that selling plays in the KA manager’s activity. The job evolved from salesperson to relationship manager, driven by the increasing complexity of the relationship that becomes “too big to handle” for a single KA manager alone. The KA manager has neither

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Fig. 1 KAM as the Manager of Internal and External Networks Source: authors' illustration



the time nor the skills to perform every single activity in the relationship but, instead, is the agent who “pulls the strings” and “makes things happen”.

From a customer perspective, but arguably also from an internal vantage point, the KA manager turns from salesperson to service provider, offering a portfolio of services (or service products) to actors in the external and the internal network.

External services

The portfolio of external services that the KA manager provides to the account-side network depends on the nature of the relationship as well as his own firm's objectives regarding the key account.

Interaction services are services aiming at facilitating the interaction of the key account-side network with the supplier firm. Key elements are the arrangement of meetings or other forms of interaction or the establishment of direct personal contacts. For example, when the director of an R&D lab on the customer side searches for a piece of information and the KA manager believes that an actor inside his own in-house network is able to provide help.

Individualization services comprise all efforts made by the supplier firm to adapt products (physical goods or service products) as well as skills, processes and resources to the needs of the key account.

Information services refer to improvements in the customer supply with relevant supplier-related information.

Integration services consist of efforts in which KA managers identify business processes – performed or controlled by their own firm – in which it would be attractive for the customer to participate.

In advanced types of KAM programs the relative significance of dealing conditioning decreases as compared to the time KA managers dedicate to their part as service provider for the KA-side network. The benefits of the customer-specific service portfolio for the client can be of various types, e.g., increased speed of business processes, access to funds that are hard to find, cost reduction, bettered invention.

- Key account managers can provide services in four fields: interaction, individualization, information, and integration services.

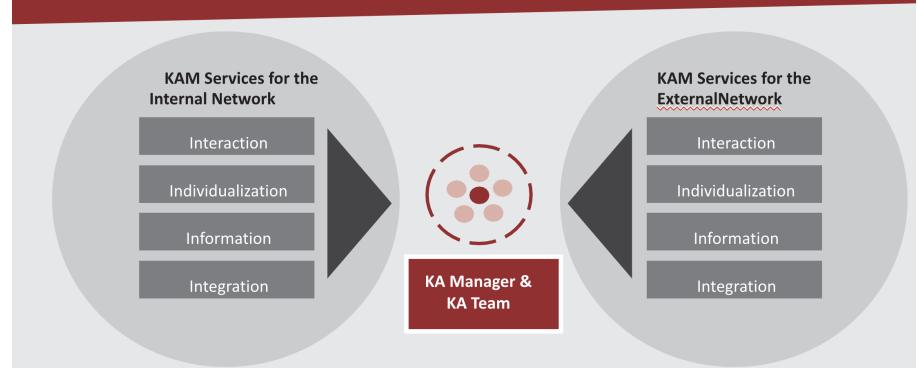
- These services can be provided to the customer organization as much as to actors inside their own firm.
- Thinking in terms of these categories will allow key account managers better to define priorities for their mission and monitor their progress.

Internal services

Because the drivers for the implementation of many KAM programs are not only located on the customer side, but rather within the supplier firm, KA managers often become service providers for their internal network too (see **Figure 2**).

These services can also be classified into commerce, individualization, information, and integration services. For illustration, account-specific yearly reports adapted to the requirements of the supplier's supply chain management department are examples of information services. On the one hand, KA managers' role as an internal service provider is directly linked to the job description and thus to the objectives their firm pursues by handling a customer as a key account. On the other hand, the achievement of the KA manager's mission and targets may facilitated by interpreting their task as a service business that includes activities as internal service provider.

Fig. 2 KAM Services for Internal and External Networks



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Case Study

We can illustrate KA managers' service provider tasks through a case study involving the KAM department of the German branch of a large European pharmaceutical company. The KAM Hospital team studied is responsible for the German hospital business. The market consists of 500 pharmacies serving about 2,000 hospitals organized in about 25 large buying syndicates. A KA manager is responsible for several buying syndicates across all product categories, supported by regional sales teams. The Director KAM Hospital is the direct head of the KAM team Hospital as well as of the sales team Hospital.

External services

KA managers provide services to their KAs at different levels. Each KA manager is responsible for the strategy toward, and the negotiations with, several buying syndicates. Each has a deep knowledge about decision-making processes and develops account-specific service offerings, although not every possible type of service is offered. It may be necessary for KA managers to identify subordinates within their company that are qualified to handle the customer's needs.

Finally, his/her knowledge of the scope of medical applications and core areas on site allows the KA manager to offer integration services in joint product development processes. The team reported several situations where they were able to include KA specialists in a process of improving ambulant and stationary services. One important project with a KA was about the development of new treatment options in telemedicine.

Internal services

As the interviews revealed, most of the Hospital team KA managers

consider themselves not only as service providers for the KA, but also for their internal network. This attitude reflects the company's KAM philosophy which aims at harmonizing internal as well as external customer-directed activities through a coordinating function exerted by the KA managers and their teams. Most KA managers agree that acting as service providers to the internal departments that they need in their daily work with their KAs is an important prerequisite for gaining these departments' support when they are required to provide services for the KA.

Coordination of information in the internal network is a major challenge. The KA team has a regular monthly meeting including the Contracting team. The KA managers regularly communicate their current pricing strategy for hospitals to the sales managers and they demonstrate examples of hospital-specific calculations. Once a year, there is a meeting where all regional sales managers, regional area managers and sales directors and the KA team get together.

Finally, as an integration service, the KAM Director has established a new, unprecedented position: a KA manager responsible for specific strategic concepts and projects. This KA manager plays an important role in integrating services across intra-organizational boundaries for the benefit of the KA. For example, if a regional sales manager indicates that one of the hospitals has an inquiry in a certain indication, the KA manager responsible for concepts and projects gets involved. He leads the project team inside the organization and integrates necessary experts from different departments. By bundling the cross-departmental knowledge, this integration service can lead to a value creation for the supplier as well as the customer company.



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Summary

Compared to classical salespeople, key account managers' tasks are more complex. Beyond selling, they need to provide a set of different services both to the customer organization and inside their own firms.

We believe that this case study illustrates how firms may develop KAM beyond the classical sales task. While it has been realized in the past that KA managers may develop specific packages of value propositions that comprise adapted offerings to KAs (such as tailor-made products), the perspective that sees KA managers as service providers is even broader. First, because it is not product-focused, but task-focused. Second, because it sees the KA manager as an external as well as an internal service provider.

This perspective is in line with recent developments in the marketing literature.

The service-dominant logic (Vargo/Lusch 2004), for instance, posits that marketing is a process of doing things in interaction with the customer, that goods are only distribution mechanisms for service provision, and that a service-centered view is customer-oriented. Achrol and Kotler (1999) see marketing as performing the role of network integrator, occupying the interface between customers and other network actors.

The concept of service-dominant management can be applied to KA management in a way that follows the logic of network management. Not every KA manager will need to, or be able to, offer interaction, individualization, information, and integration services to his internal

and external network, but should at least consider the need and the opportunity.

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