KEY ACCOUNT MANAGEMENT-A NASCENT DOMAIN

By Professor Malcolm McDonald

ABSTRACT

This paper consists of a brief review of the antecedents of Key Account management (KAM), starting with Alderson W (1965) and includes the latest research from the Cranfield University School of Management Key Account Management (KAM) Best Practice Research Club, which has been exploring the domain for over a decade. A number of representational models describing the different stages of KAM relationships are proposed. These need to be tested in the Global Account Management domain.

ORIGINS OF KEY ACCOUNT MANAGEMENT

Sales origins

The concept of Key Account Management has several parents. Undoubtedly, its name is derived from the sales function, and many relevant papers have been published under titles such as National Accounts, Major Accounts and Strategic Customer Alliances. At the leading edge of both academic and applied thinking, it has largely outgrown its sales origins, but there are still manifestations of more traditional thinking leading to continuing controversy over the nature and status of the role. For example, in the UK the NVQ level of Key Account Manager was fixed at level 4, in line with Field Sales Manager (Millman & Wilson, 1996).

Selling has always been characterised by reward structures different from any other function in the organisation. It has been widely accepted in practice that powerful financial incentives should be offered and directly linked to short-term outcomes, usually sales volume, occasionally margin. On this motivational principle has grown up a whole culture and ethos in and around selling and salespeople that will not readily be changed, neither in organisations who have trusted to it for decades, nor with salespeople who have operated in this environment for their entire career.

Although ‘old-style’ approaches to selling may not be appropriate in the context of key accounts, new approaches were needed to address the drivers which made traditional practices popular in the first place (Cohen, 1996). They will also need to address the legacy and remnants of traditional practices for the foreseeable future. Some authors on sales topics are still recommending heavily commission-biased remuneration for any account, though others have accepted that real Key Account Management will not be achieved while it is still linked with this fundamental tenet of selling (Francis, 1998; Boles, Barksdale & Johnson, 1996). In fact, it may be that the remuneration framework is the litmus test that sets apart genuine Key Account Managers from salespeople of all seniorities, and is ultimately the distinguishing factor which indicates where Key Account Management is really conducted as much more than a sales role.

Relationship marketing

Key Account Management may be seen as part of the newer discipline of relationship marketing. Although definitions of relationship marketing vary, most refer to relationships with customers e.g. “relationship marketing concerns attracting, developing and retaining customer relationships” (Berry & Parasuraman, 1991). Morgan & Hunt (1994) went further to include all kinds of commercial associations, not just customers, in their definition: “Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges.”

However, Key Account Management does, by definition, confine itself to relationships with the customers of supplying companies. Obviously, the viewpoint of those customers is highly pertinent, and indeed approaches like transaction cost analysis have provided a useful theoretical framework for examining business-to-business relationships (Williamson, 1985; Pfeffer & Salanik, 1978). Commercially, a substantial stream of relationship marketing now focuses on developing the application of information technology to marketing and developing customer intimacy on a one-to-many basis. This situation is far more typical of the consumer environment, where marketing may be targeting millions of people, than of business-to-business sectors, where the numbers are usually fewer. It is not really relevant to Key Account Management, which is intended to be focused on just a few selected customers.

Supply Chain Management

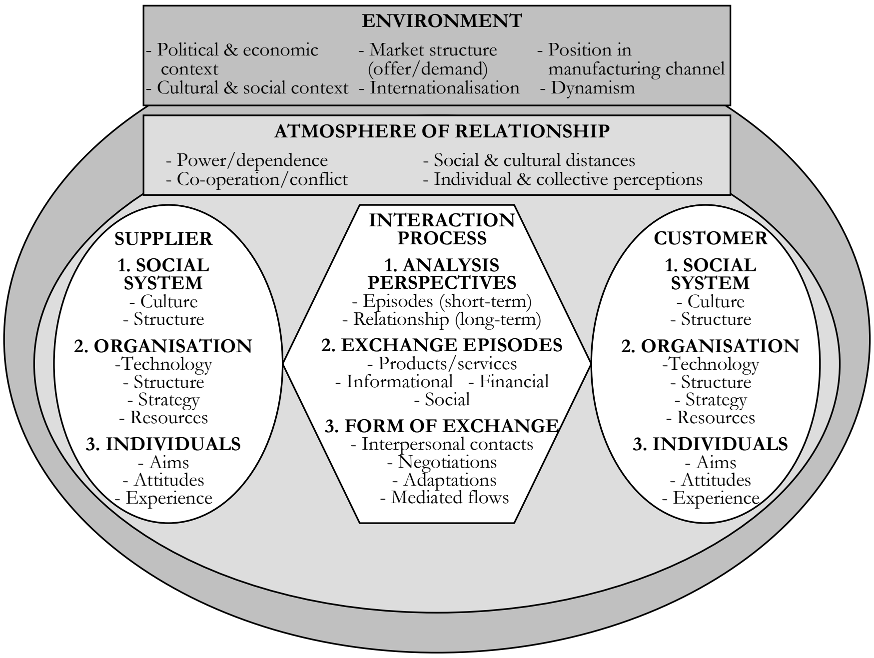
Although still called Key Account Management, much of this new discipline should be about the relationship itself, which is intrinsically bipartite. However, most of the literature originates from either the selling side or the buying side, rarely from a combination of both (Olsen & Ellram, 1997). Research from the ‘other side’ is very illuminating for both academics and practitioners in Key Account Management.

The complementary discipline of Supply Chain Management has much to contribute to an even-handed and objective understanding of the potential of these key relationships. Buying companies operate Supply Chain Management principles to gain the benefits of vertical integration and the advantages of out-sourcing simultaneously. They will be seeking to achieve advantages such as competitive pricing, additional expertise and flexibility, and avoid the disadvantages frequently encountered with internal, group suppliers: for example high fixed cost, lack of flexibility and complacency.

In the past, independence from suppliers was seen as desirable by buyers, until global competition began to force a rethink of traditional stances in favour of greater collaboration and mutual dependence (Scott & Westbrook, 1991). Supplier opportunism is probably their greatest fear, but as the number of examples of successful collaborative relationships grows, more buyers should become convinced of the viability of the approach. Ellram (1991)describes the Supply Chain Management approach as ‘aimed at co-operatively managing and controlling distribution channel relationships for the benefit of all parties involved, to maximise efficient use of resources in achieving the supply chain's customer service goals'.

A group of European researchers, the IMP-group (from the International Marketing and Purchasing study), developed a model, as shown in Figure 1, using an interaction approach to buyer/seller relationships which was based on transaction cost analysis and interorganisational theory (Ford, 1990; Håkansson, 1982). Originally it focused on the co-operative aspects of the relationship without taking into consideration the competitive elements of business relationships, of which all of those directly involved are well aware. This may have been an over-reaction to stark economic theory, which is heavily based on competitive behaviour (Alderson, 1965), and the model has since been modified to acknowledge these intrinsic attributes of business relationships.

Figure 1 **The International Marketing and Purchasing (IMP) Group Model**
(Source: Turnbull & Valla, 1986)



DEFINITIONS

Key Accounts

McDonald, Millman & Rogers (1996) defined Key Accounts as 'customers in a business-to-business market identified by selling companies as of strategic importance'. This definition immediately begs the question of how strategic importance should be defined in this context. In practice, Key Accounts are effectively defined by the criteria used by selling companies to select them. Pardo, Salle & Spencer (1995) point out that much of the literature confirms that companies largely take definition/selection for granted. The criteria used, albeit sub- or semi-consciously, commonly relate to a mixture of size (current and potential) and complexity.

Many companies still list huge numbers of customers as Key Accounts. One major IT company is quoted in Ryals (2002) as claiming to have 1,000 key accounts, compared with DHL Worldwide, who claimed to have only 18. If they genuinely embrace the idea that realisation of Key Account Management, as opposed to competent major account management, implies development of rather intense and far-reaching relationships, they would recognise the need to ration the number of candidates for this treatment. That recognition would then drive prioritisation and more rigorous selection, which would finally result in a tighter definition of Key Accounts.

Some authors have taken the Key Account concept beyond the bounds of customer relationships, to include internal and lateral relationships as well: Morgan & Hunt (1994) identified ten types of partnership in companies. However, this discussion will confine itself to the buyer/supplier relationships. Two types were identified in each case: 'ultimate' and 'intermediate' buyers (Anderson & Narus, 1990), both of which may be included in the definition of Key Accounts; and 'goods' and 'services' suppliers. The latter distinction may be somewhat outmoded: in recent years many products have been heavily augmented with services, and services have been rendered into almost tangible products, so that separation of the two groups is hardly meaningful in many aspects of business discussion. It may be more useful to divide inputs into elements for resale, after value-adding (i.e. included in cost of sale) and elements for consumption by the business itself (i.e. included in overheads).

Key Account Management

Burnett (1992) defines Key Account Management as 'the process of allocating and organising resources to achieve optimal business with a balanced portfolio of identified accounts whose business contributes or could contribute significantly or critically to the achievement of corporate objectives, present or future.' From this definition, Global Account Management is a specific subset within Key Account Management, to which similar principles may be applied, but which also has its own particular characteristics. A catholic literature review of the origins of key account management and the role of the Global Account Manager, taking a boundary role theory perspective, was carried out by Holt. (2003) This paper, however, will address the more generic term, Key Account Management. National (or Key) Account Management has also been defined as an approach in which one executive or team takes overall responsibility for all aspects of a customer's business, directly or co-ordinating the activities of others (Shapiro, 1989).

Although Key Account Management is a process conducted by selling companies with customers, it is notable that neither of these descriptions mention selling. Indeed, in many cases where the relationship has been in existence for years, if not decades, the customer is already 'sold', and the emphasis has switched to management and development across a broad front. This change of emphasis has important implications in the definition of the role of Key Account Managers.

Burnett's interpretation is a logical extension of McDonald, Millman & Rogers' (1996) definition of a Key Account, except that the implications of the word 'balanced' should be considered. Depending on what kind of balance is envisaged, it may be that a company maintains balance across its entire customer portfolio, but not necessarily within its Key Account portfolio. Key Accounts should, for example, be defined by strategic importance, which implies other characteristics as well.

Key Account Manager

The Key Account Manager could simply be defined as the person who enacts the process of Key Account Management. According to Burnett's definition, that would be at the highest level at which decisions are made for the company's whole portfolio of customers. In normal parlance, however, a Key Account Manager's role is more closely allied with Shapiro's description: he/she is directly attached to specific Key Accounts, which may be a small (in number) portfolio of customers, or may be only one customer.

Definitions of the process are clearly important in defining the way the role should be fulfilled, and the skills required to be successful in it. Definition of the role of the Key Account Manager will continue to evolve, at least as long as understanding of the processes is still evolving. For example, the selling company's strategy for the customer and the nature of the relationship is a major factor affecting the demands on the Key Account Manager's role. Relationship models developed in earlier research (McDonald, Millman & Rogers 1996 see Figure 3 later in this paper) demonstrate visually the different stages of sophistication and affinity which selling and buying companies may achieve, linked with the different roles for the Key Account Manager at each stage. Although these models demonstrate the differentiation between the nature of the role in principle, there is still much to be learned about it in practice.

Companies have tried a range of formulae for the definition of roles between the Key Account Manager and field salesforce, who are often required to play an important part in implementation (Cohen, 1996). The situation is paralleled by that of Global Account Managers vis-a-vis Country Managers or National Account Managers. Whether the Key Account Manager operates by control or persuasion is an important issue. Yip & Madsen (1996) conclude that Global Account Management has proved very successful for global players, but that cultural differences are such that it would be dangerous to work on a world-wide control basis, and the role should be one of persuasion and co-ordination.

Degree of control is only one of the several factors relating to the selling company's inability to implement which have caused Key Account Management programmes to founder. In fact, Key Account Management more often fails because of the selling company's organisational problems in delivery of the programme (Stevenson, 1981), than the buying company's inability to accept it or deliver a satisfactory return to the selling company (although that is common as well). As an example, Citibank's Global Account Management programme was highly effective with customers, but nevertheless successfully sabotaged by Country Managers (Buzzell, 1985): it was eventually revived, though some time later.

BENEFITS OF KEY ACCOUNT MANAGEMENT

Risk reduction

Clearly there are potential benefits from Key Account Management, or companies would not be energetically engaged in pursuing this approach. Theoretically, the benefits to the selling company are business growth, risk reduction and possibly cost reduction: however, as discussed below, there is a danger of uncontrolled cost increase as well. On the buying side, the impetus towards further development of supplier relationships is mainly driven by cost reduction and risk reduction (see Table 1 for a list of sources of benefit under each of these two headings), leading to enhanced customer satisfaction and contributing to overall competitive strategy. Benefits can include the possibility of collaboration in real mould-breaking strategies, which challenge the supply map status quo to bypass competition, and which a buying company cannot achieve alone.

Table 1 **Types of risk reduction and cost reduction for buying companies originating from partnership with selling company**
(Source: Ellram, 1991)

Risk reduction	**Cost reduction**
Sharing of assets (lower break-even costs)	Reduced production costs
Sharing of information, informally and formally	Reduced transaction costs
Increased flexibility versus vertical integration	- better information/ reduced uncertainty
Volume commitments	- routinise transactions
Future orientation with joint planning	
Trust	
Interdependence	
Sharing of risks and rewards of relationship	

Both parties benefit from risk reduction, which must be a major driver in relationship development. 'Internal' risks may be considered as being of two kinds: short-term crises such as sudden demand or supply gaps, and longer-term uncertainties which complicate planning and result in sub-optimal use of resources. External risks are those originating in the market, or originating outside the market and acting through it, as in the case of government legislation, for example.

These two types of risk may be related to the two types of interaction identified in the IMP model (Håkansson, 1982): episodes, defined as short-term events that contribute to institutionalising or destabilising the interaction (Ford 1980); and relationship, the long-term exchanges which take place. A collaborative relationship has the potential to reduce external risk for both parties through market information sharing, greater flexibility in response and leveraging market influence, for example.

Financial drivers for selling companies

Building and maintaining relationships at a sophisticated level has considerable costs: Yip & Madsen (1996) listed a number demanded by Global Account Management, most of which apply to management of other Key Accounts as well. Nevertheless, selling companies expect the direct financial benefit to outweigh the relationship costs. An increasing body of evidence points to the greater profit to be gained from retaining existing customers, compared with finding, attracting and establishing new customers (Bain Customer Retention Model 1990).

However, although Key Accounts have the potential to deliver the greatest profit, they also have the potential to generate the greatest losses. Studies by Wilson, 1997 have shown that it is often a company's largest two or three customers that lose money when costs are fully attributed to them. Good, appropriate information systems and the will to use them, plus careful management, are needed in order to ensure financial benefits from Key Accounts. Loss situations often arise when the buyer has negotiated a price based on the cost of goods sold, but is enjoying excess value in terms of a range of additional, uncosted services. One of the major dangers in developing sophisticated relationships through Key Account Management is the escalation of costs absorbed by and in the relationship.

There is an additional danger, that sophisticated and close relationships are seen as the only formula in Key Account Management. In fact, there are many cases of customers, who should still qualify as Key Accounts, who should be managed within an efficient, transactional relationship. They may not want to develop the relationship further, or the business may not be able to repay investment in it. Analysis of each Key Account should focus on the *incremental* benefit of investing in development beyond its current status.

Nonetheless, ongoing research at Cranfield University School of Management's KAM Research Club and presented in McDonald and Woodburn (2007) clearly indicates that this whole area is in need of further study, as they observed many companies losing substantial sums of money in their dealings with large customers. Indeed, Ryals (2002) showed that this is because a majority of companies do not use activity based costing systems and consequently do not attribute major costs appropriately.

The data presented in Figure 2 are the result of surveys of directors and senior managers on conferences and courses using an automated response system in order to elicit unbiased responses to the question about KAM profitability, having explained the principle of Activity Based Costing. In all, across the five years up to , 500 respondents were surveyed, with remarkable consistency across the years and whilst we do not claim statistical validity for the data, they do nonetheless provide indicative evidence that companies may still be losing money on their dealings with their top key accounts

How well do you know the real profitability of the top ten accounts?

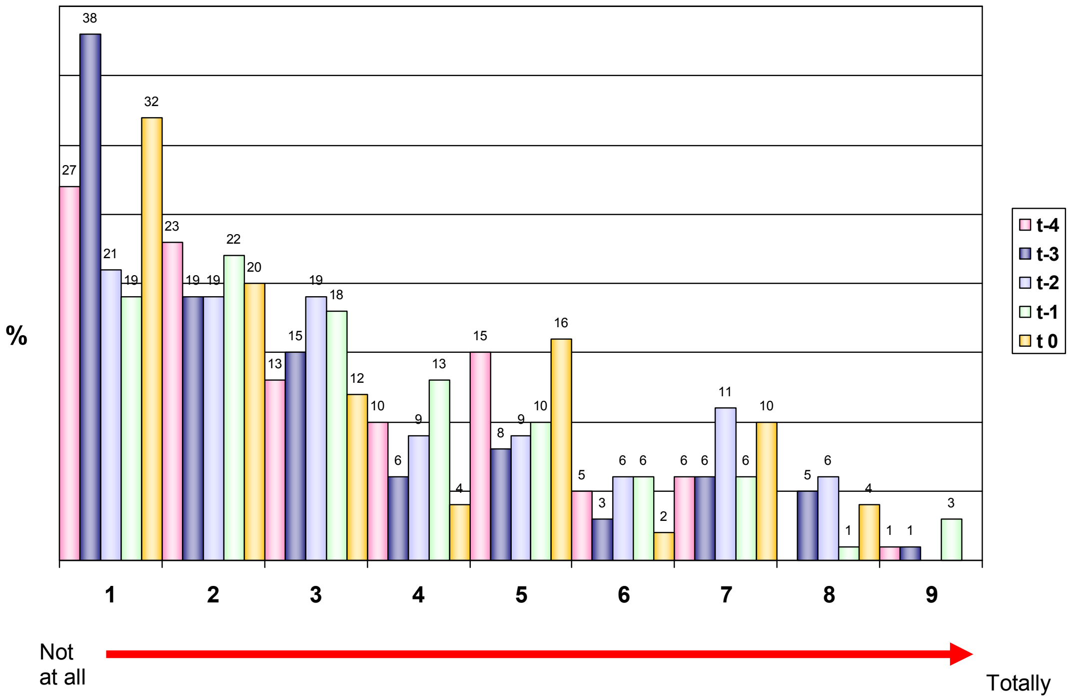


Figure 2

Cost savings for buying companies

There are ‘legitimate’ or mutually beneficial cost savings available to buying companies which are preferable to driving supplier’s profits below adequate levels. Better management of the flow of supplies, elimination of unnecessary or duplicated processes and tighter quality control all reduce cost. Several authors have reported on case studies illustrating the cost benefits available: in fact, Marks & Spencer is an example which predates by decades the formulation of the concept of supply chain management (Scott & Westbrook, 1991).

In addition to savings in current operational costs, savings through collaborative product development and R&D cost sharing are a very significant source of advantage, particularly to companies with high investment in development, long development cycles or markets with short product life cycles. The buying company benefits from supplier expertise, leading to better and more cost-effective design, while the selling company can beta-test new products or services in real life on a larger scale than their own facilities permit.

There are potential dangers attached to close relationships for buying companies as well. The range of pitfalls may be grouped around two issues: cost increase (from duplication of effort, and/or from the substitution of cash for activity, by giving the supplier the opportunity to add some of the value that the buying company could have fulfilled itself) ; or control/dependence concerns (Ellram, 1991). Paradoxically, concerns about the negative aspect of dependence may be seen as an outcome derived from positive, on-going relationship benefits, when considered together with the issue of termination costs. In fact, the latter may originate more from setting up an alternative than exiting the current relationship, so it is debatable whether such costs should be looked at as a barrier to exit.

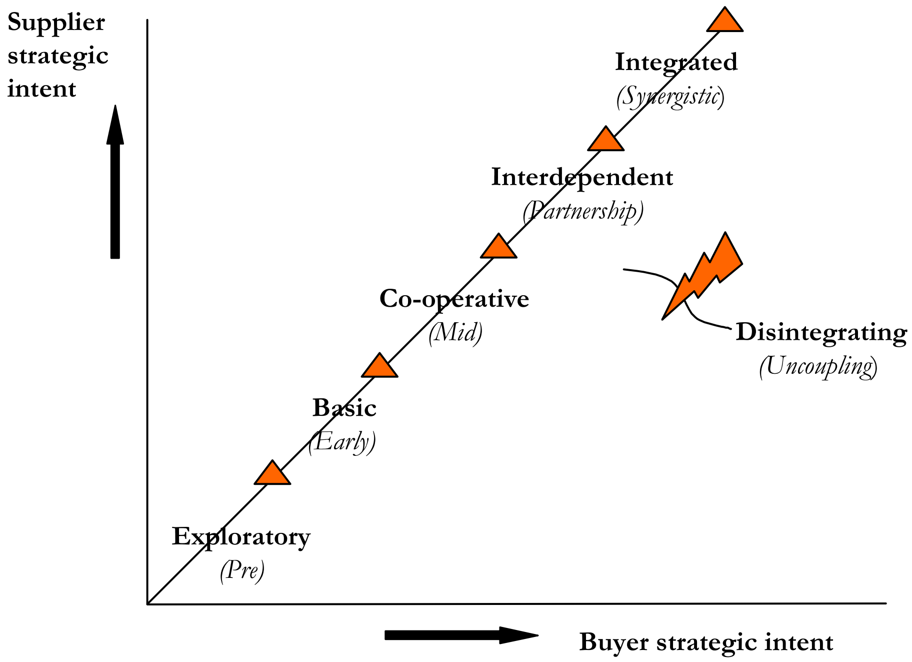
All these fears are paralleled by selling companies, except that concern about price/margin erosion replaces concern about cost increase. The issue of dependence may be slightly different, but is very real if the relationship has reached a large proportion of the selling company's turnover.

KAM RELATIONSHIPS

KAM relationship labels

The different stages of KAM relationships are briefly described below together with the models developed by Millman & Wilson (1994) and researched further in McDonald, Millman & Rogers (1996). In their original paper, Millman & Wilson proposed a set of names for different stages of development of Key Account relationships, which are shown in the figure below in italics. Clearly, in discussions of complex subjects like Key Account Management, recognised terms are needed to describe bundles of attributes which are used frequently. Even if there is a general recognition that these terms are only a form of shorthand, they should be as accurate as possible in order not to mislead or misrepresent the complex situation behind them.

Figure 3.: KAM relationship labels (developed from Millman & Wilson, 1994, **with their original labels in italics)**



The names used by Millman & Wilson (1994) and by McDonald, Millman & Rogers (1996) were a mixture of labels, with various origins. One described how the two parties might view the relationship (*partnership*), another described an aspect of the relationship (*synergistic*), and others contained an implication that stages of the relationship are dependent on time or some other natural progression (*pre, early, mid*). In fact, although progression from one relationship stage to the next is quite possible, it is by no means automatic. In certain circumstances, it may not be appropriate for relationships to become closer and more sophisticated: in other cases, one of the parties may not want to take the relationship further.

Although trading partners may progress through the stages of relationship sequentially, it is also possible to enter any of them directly. Similarly, if the relationship fails, any stage can be exited directly, or gradually, depending on circumstances.

Relationship stages are shown at equal intervals along the axes, but there is no reason to suppose that they would take equal amounts of time to reach: indeed, that is most unlikely. Unless some particularly significant event or shift occurs, developing relationships will change by degrees, so the labels should be applied to a range of states of relationship, rather than to a single, precise specification. One further point is that if the supplier's intent and the buyer's intent do not coincide at the points on the diagonal, there is clearly a mismatch. For the supplier, this offer has grave financial consequences as such accounts are over-served (McDonald and Woodburn, 2007).

Many of the alternative labels are names which reflect the perspective of either the selling company (e.g. *prospective*) or the buying company (*preferred supplier*). Given that there are two parties to each relationship, and that the subject of study is the interaction between the two, it seems logical to apply labels which describe the relationship itself. The new set of labels were discussed with the Cranfield KAM Best Practice Club, whose members approved this platform for labels and accepted the new versions as appropriate in their view.

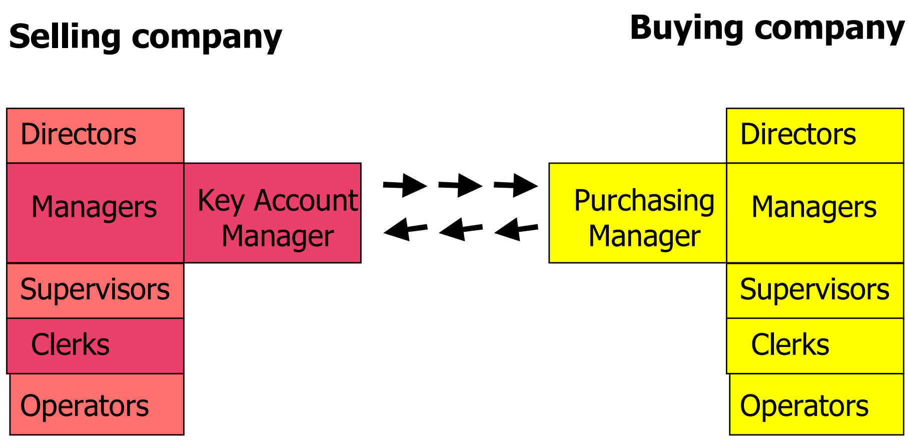
KAM relationship descriptions

The essence of each stage of KAM is described below, while the development of contact between buying and selling companies is discussed in greater detail in the original report by McDonald, Millman & Rogers (1996), and therefore only briefly mentioned here. The diagrams in the figures are intended to be representational only of the different states of relationship referred to above

Exploratory KAM:

This stage precedes Key Account Management of any kind, but implies that the potential importance of the relationship will qualify the buying company to be a Key Account if business is secured. At this stage the selling company will be courting the buying company and exploring its needs, which of them they are required to fulfil, the size of the opportunity, and generally getting a feel for the organisation, the people who are influential in the buying decision, their personalities and modus operandi. At the same time, the buying company with a need will be exploring the supplier's offer, capabilities and credentials, quite possibly with more than one supplier simultaneously.

Figure 4 Exploratory KAM relationship



Basic KAM:

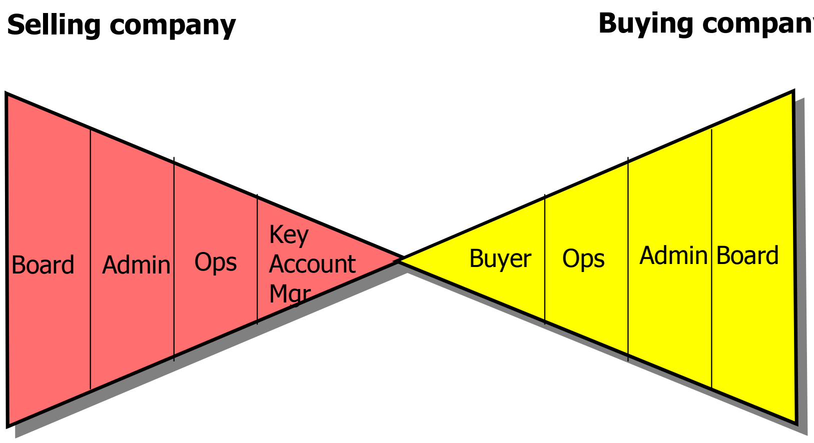
This stage implies a relationship with very much a transactional emphasis. If it is a new relationship, then it may be effectively a trial time, during which the selling company has to prove its ability to deliver its offer in an efficient manner. Buyers will obviously prefer to develop business further with suppliers who have demonstrated that they can live up to minimum operational requirements. However, trial experience of each other may not always be possible e.g. major contracts. At this stage, the buying company may also use other suppliers of the same product/service, but not necessarily: multiple sourcing may not suit the need.

Even if the relationship is successful at this level, it may still not be appropriate to develop it for a number of good reasons, for example:

- there may be changes pending in the environment in terms of legislation, technology, market, company ownership etc which limit the length of life of the relationship, so that investment in relationship building is unlikely to pay back.
- the buying company may be low cost focused and unresponsive to added value.
- the buying company may be known for supplier switching.
- in summary, the overall lifetime value of the relationship is not expected to repay investment in the relationship in terms of time, adaptation etc.

As described in the earlier research, most contact will be one-to-one through the Key Account Manager and the Purchasing Manager.

Figure 5 **Basic KAM relationship**

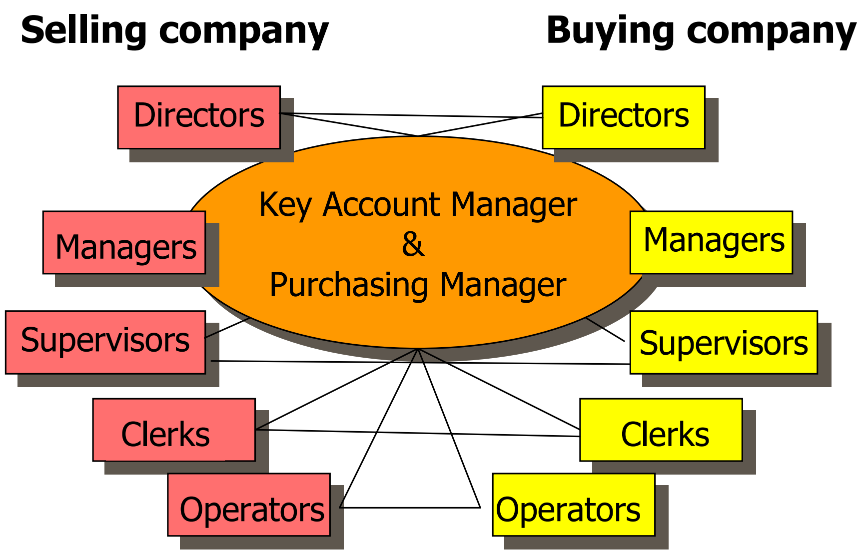


Co-operative KAM:

At this stage the buying company may have been able to satisfy itself about the selling company's credentials through its own experience after a period at basic KAM level. If performance is acceptable, the selling company may then be able to work more closely with the buying company and develop the relationship. Opportunities to add value to the customer will be suggested by the supplier, and the buyer will adopt a positive and communicative attitude towards the supplier, perhaps in terms of indicating further opportunities to do business together, or helping the supplier to solve some of the operational problems which arise.

If the customer uses a list of preferred suppliers, the selling company will be on it but, as mentioned above, it is not necessarily appropriate for some kinds of purchases. Contact involves a wider range of people. It is often at this stage that the real potential to progress the relationship from co-operative to interdependent is either grasped, or not, by the supplying company as, by definition, the relationship is already more complicated than at the basic stage.

Figure 6 Co-operative KAM relationship



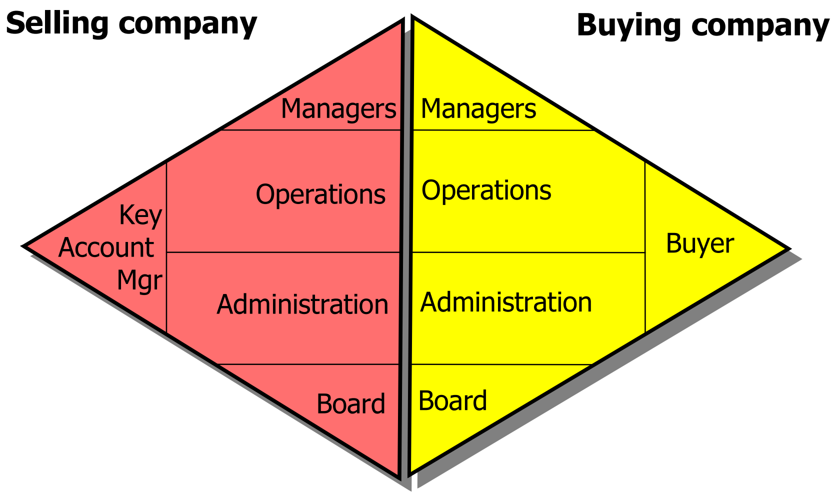
Interdependent KAM:

At this stage, both buying and selling company acknowledge the importance of each to the other. They are locked in to each other, not inextricably, but if the relationship were to end, retreat would be difficult and time-consuming. Inertia, as well as strategic suitability, holds the partners together. They may have set up various initiatives together, like common working practices, product specifications, joint marketing activity etc which would take time and effort to undo.

Even if multiple sourcing is possible in theory, in fact the selling company has become sole or at least first option supplier. A range of functions in both organisations work closely together, orchestrated by rather than administered by or channelled through the Key Account Manager and Purchasing Manager.

One consequence of this kind of relationship is the likelihood of the supplying company overserving the customer. A white paper by Woodburn from the Cranfield Research Club (unpublished) showed that this kind of relationship frequently results in a loss to the supply company (quoted in McDonald and Woodburn 2007).

Figure 7 Interdependent KAM relationship

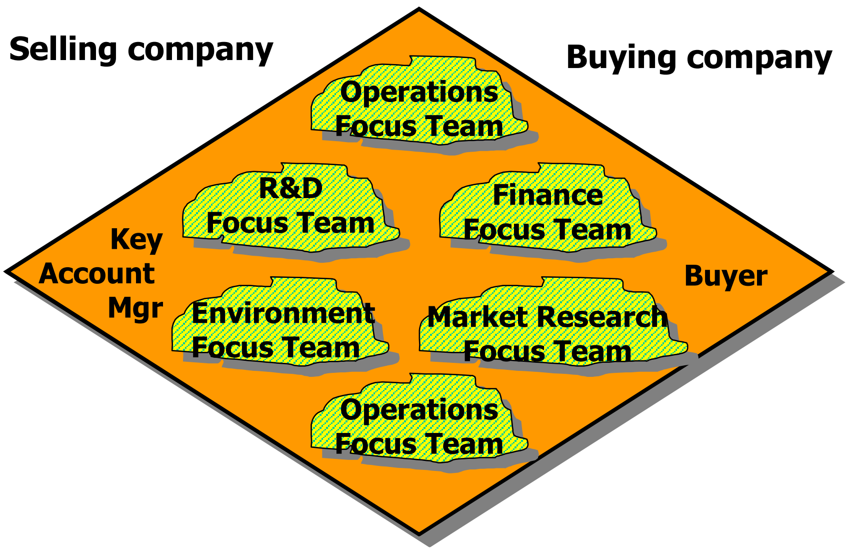


Integrated KAM:

This type of relationship involves working together in cross-boundary functional or project teams. By this means the organisations become so integrated that individuals may feel more affinity with their team than with their official employer organisation. The teams run the business, rather than either organisation, and they make decisions about their interactions with other teams according to the strategy they are implementing. They may even be based at their partner's premises.

Exit would be traumatic at both a personal and organisational level.

Figure 8 Integrated KAM relationship



Disintegrating KAM:

At any time, the relationship can fall apart for one or more of a large number of reasons, such as a take-over of either company, change of key people, switching to a new supplier offering better products, performance or price, or the introduction of new technology. Disintegration can be sudden, and exit complete, or it may be a return to a lower level of relationship at which the companies can continue to do business together, but on different terms. In any case, disintegrating KAM is not a stable state, as any of the others can be, but a transitional stage before the relationship settles down into another stage, possibly no relationship at all.

The Key Account Manager's role may change to damage limitation, and a business developer may not be the right kind of person to fulfil this need.

Key Relationship Development

Other authors have reported similar progression (Ford, 1980), albeit each has given them different names and concentrated on different elements of their characterisation. A common thread is the change from a transaction-based, functional relationship to a partnership approach. Dunn & Thomas (1994) identified four stages:

- transaction selling: reactive, order-focused, tangible item
- product solution: augmented products, higher-level sell
- business solution: linked product solutions, typically project buying situation
- partnership solution: multiple business solution to address strategic problem

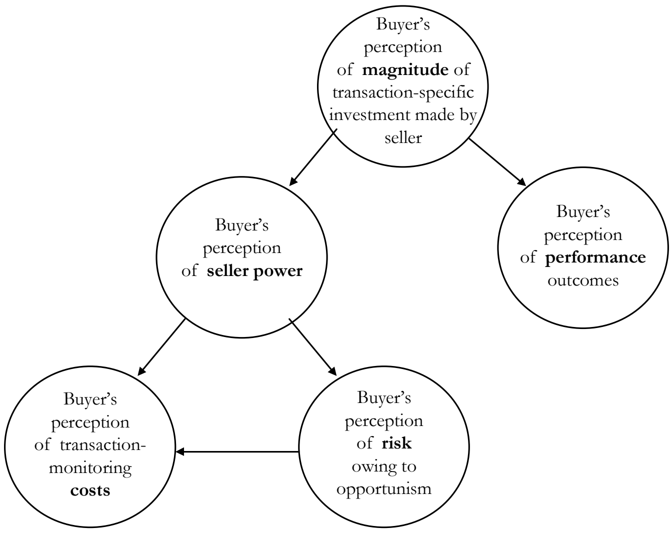
However, this characterisation seems to omit some common buying situations, which are normally included in such schemes of relationship development. For example, there seems to be no reason why transaction selling has to relate to a tangible item rather than, say, to a simple service. The stage called 'business solution' appears only to represent projects for application to the business: but there are relationships at a similar level which may involve the supply of components or materials into the customer's on-going production process. A relationship which permits the development of creatively-conceived processes for delivery of the product, for example, closely dovetailed with those of the customer, has also reached this level.

Buyer/seller relationships do not exist in a vacuum, but may be regarded as part of a business network (Anderson, Håkansson & Johanson, 1994). To a certain extent, all dyadic relationships are part of a network, but some networks have been specifically designed to serve the needs of the supply chain through a more creative or lateral approach than traditionally. Anderson et al noted that 'deconstructed' firms are emerging which rely on co-ordinated relationships with other firms to provide non-core value chain activities. They also stressed the importance of considering the dyadic relationship as the prime focus, albeit embedded in a network.

Transaction cost influence on relationship development

A substantial body in the literature pursues the understanding of buyer/seller relationships through transaction cost analysis (e.g. Lohtia & Krapfel, 1994; Olsen & Ellram, 1997). Transaction cost analysis acknowledges real situations by assuming that information required for decision-making is normally incomplete and, in addition, that participants on either side of the relationship may be opportunistic and hold back, or misrepresent, information that they could contribute.

Figure 9 **Transaction-specific Investment Benefits Model**
(Source: Lohtia & Krapfel, 1994)



Transaction costs can be reckoned as being of two types: investments and on-going operational costs. Transaction-specific investments are those invested in the relationship that cannot be recovered on breakdown (e.g. customer/supplier-specific assets, time spent on relationship development), and on-going costs are the time and money spent in monitoring the relationship to protect the company's interests and manage uncertainty.

In theory, relationships should develop in ways that seek to reduce transaction costs or secure profit from transaction-specific investment. These analyses are not easily completed, but anyway it seems that relationships are not invariably developed according to the rationale this theory would indicate. There are other approaches to understanding why relationships have arrived at their current stage, which look at power and commonality of interest (see below) and a range of other factors (Olsen & Ellram, 1997). Nevertheless, the approach is a useful alternative or adjunct to the IMP model.

Relationship portfolio analysis

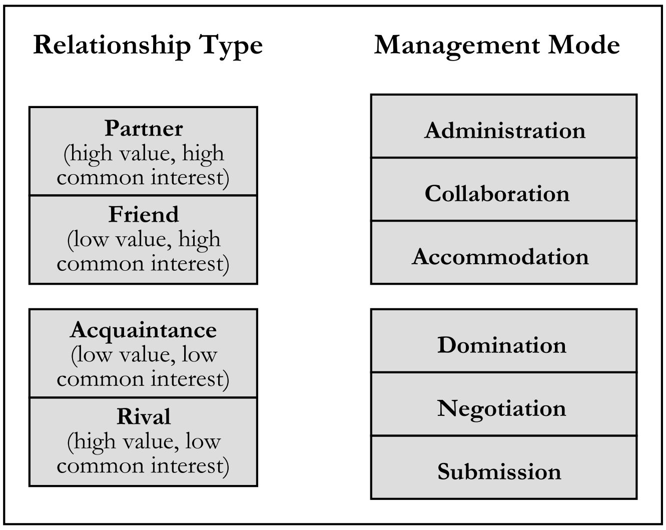
Companies will probably be involved simultaneously in relationships of all types. There will be various reasons why each has reached that particular stage. There will also be different opportunities within each which should determine what, if any, action should be taken to develop the relationship further. In the same way that the GE or directional policy matrix plots a company's portfolio of market segments against their strength in the market, key accounts can be analysed in order that appropriate strategies can be applied for each of them.

Fiocca (1982) looked at key accounts in this way, and others have taken similar approaches (Olsen & Ellram, 1997). In particular, McDonald and Rogers (1998) point out that key customers are not all equally attractive, nor is the selling company always in a strong position. Strategies should differ, not only according to what the selling company would like to achieve, but also to what is realistically possible and accepted by the customer, while taking into account the strategy for the market segment overall. Krapfel, Salmond & Spekman (1990) also portray different relationship types derived from a portfolio analysis approach. Their descriptive scheme draws on the use of strategic indicators including transaction cost analysis, plus political economy, resource dependence and relational contracting to characterise the nature of an appropriate relationship in each case. Their scheme uses relationship value and interest commonality to arrive at four relationship types. The appropriate relationship management mode, they suggest, should be selected according to the relationship type and the company's perception of its position of power within it, provided that it is matched by the other party to the relationship. The nature and compatibility of strategies on the part of both buying and selling company are also highly relevant in deciding the level to which relationships should be developed.

In the previous section, the benefits of closer relationships were discussed, but these can only be realised within the context of the environment and atmosphere of the relationship (Ford, 1980). The IMP model identified the normal environmental factors, and a set of four elements which determine the relationship atmosphere: power/dependence, co-operation/conflict, trust/opportunism and social distance.

Figure 10 Relationship mapping model

(Source: Krapfel, Salmond & Spekman, 1990)



In effect, two major streams of approach to examination of buyer/seller relationships are discernable: one focusing on the more qualitative and positive aspects of the relationship, in which interaction variables such as commitment and trust play a large part (e.g. Morgan & Hunt, 1994), and in which the IMP model plays a pivotal part; and the other focusing on more quantitative aspects and acknowledging potentially negative aspects such as exercise of power, which is based around variables such as transaction costs and resource dependence. Neither, of course, is oblivious to the alternative point of view, and there is considerable overlap between the two schools of thought.

This necessarily brief review of previous scholarly research in this domain has provided a backcloth to the many current research initiatives which will ensure that this still nascent domain will develop even sounder conceptual underpinning.

The wider domain of Global Account Management (GAM), however, is still in its infancy, and research remains to be initiated to test the validity of these KAM models in the more complex, multi-market, multi-cultural area of GAM.

Bibliography

Alderson, W. (1965) "Dynamic Marketing Behaviour", Homewood, Illinois: Richard D. Irwin Inc.

Anderson, J.C, Håkansson, H., & Johnson, J., 1994, "Dyadic business relationships within a business network context", Journal of Marketing vol 58 (Oct 94) 1-15

Anderson, J.C., & Narus, J.A., 1990, “A model of distributor firm and manufacturer firm working partnerships”, Journal of Marketing, 54 (January) pp 42-58

Bain Customer Retention Model 1990

Berry, L.L., & Parasuraman, A., 1991, “Marketing Services” New York: The Free Press

Boles, J.S., Barksdale, H.C. & Johnson, J.T., 1996, “What national account decision makers would tell salespeople about building relationships”, Journal of Business & Industrial Marketing vol. 11 no. 2 pp 6-19

Burnett, K., 1992 “Strategic Customer Alliances” London: Pitman Publishing

Buzzell, R.D., 1985, “Citibank: marketing to multinational customers”, Harvard Business School

Cohen, A., 1996, “As customers demand more services and better proces, companies are increasingly adopting national account programs”, Sales and Marketing Management USA, No 4, 77-80

Dunn, D.T., & Thomas, C.A., 1994, “Partnering with customers”, Journal of Business & Industrial Marketing vol. 9 No. 1, pp 34-40

Ellram, L.E., 1991, “Supply chain management”, International Journal of Physical Distribution & Logistics Management, Vol. 21 No.1 pp 13-22

Ford, D., 1980, “The development of buyer-seller relationships in industrial markets”, European Journal of Marketing Vol. 14 No. 5/6 pp 339-353

Ford, D., ed. 1990, “Understanding Business Markets: Interaction, Realtionships and Networks”, San Diego, Academic Press

Francis, K., 1998, “What is a KAM?”, Winning Business, Jan-Mar pp 62-64

Håkansson, H., 1982, “International Marketing and Purchasing of Industrial Goods: An Interactive Approach”, John Wiley & Sons

Holt, S, 2003, “The Role of the Global Account Manager; a boundary role theory perspective”, Cranfield PhD.

Krapfel, R.E., Salmond, D., & Spekman, R., 1991, “A strategic approach to buyer-seller relationships”, European Journal of Marketing 25,9 pp 22-37

Lohtia, R., & Krapfel, R.E, 1994, “The impact of transaction-specific investments on buyer-seller relationships”, Journal of Business & Industrial Marketing Vol. 9 No. 1 pp 6-16

McDonald, M., Millman, A. & Rogers, B., 1996, “Key account management – learning from supplier and customer perspectives”, Cranfield School of Management

McDonald, M. & Rogers, B., 1998, “Key Account Management: Learning from Supplier and Customer Perspectives”, Butterworth-Heinemann.

McDonald, M. and Woodburn, D. 2007, “Key Account Management; the definitive guide”, Butterworth-Heinemann, Oxford.

Millman, A., & Wilson, K., 1994, "From Key Account Selling to Key Account Management", Tenth Annual Conference on Industrial Marketing and Purchasing, University of Groningen, the Netherlands

Millman, A., & Wilson, K., 1996, "Developing key account management competences", Journal of Marketing Practice & Applied Marketing Science, Vol. 2 No. 2 pp 7-22

Morgan, R.M., & Hunt, S.D., 1994, "The commitment-trust theory of relationship marketing", Journal of Marketing, Vol. 58 pp 20-38

Pardo, C., Salle, R., & Spencer, R., 1995, "The key accountization of the firm", Industrial Marketing Management 22, pp 123-143

Pfeffer, J., & Salancik, G.R., 1978, The External Control of Organisations: A Resource Dependence Perspective", New York: Harper & Row

Ryals L " The Total Value of the Customer and Targeted Marketing Strategies. PhD Thesis, Cranfield University 2002

Scott, C., & Westbrook, R., 1991, "New strategic tools for supply chain management", Internatinal Journal of Physical Distribution & Logistics Management, Vol. 21 No. 1, pp 23-33

Shapiro, B.P., 1989, "Close encounters of the four kinds: managing customers in a rapidly changing environment", Harvard Business School

Stevenson, T.H., 1981, "Classifying a customer as a national account", Industrial Marketing Management, Vol. 9 pp133-196

Turnbull, P.W. & Valla, J.P., 1986, "Strategies for International Marketing", Croom Helm

Williamson, O.E.,1985, "The Economic Institution of Capitalism: Firms, Markets, Relational Contracting", New York: The Free Press

Wilson, C., 1997, "Profitable Customers", London, Kogan Page

Yip, G.S., & Madsen, T.L., 1996, "Global account management: the new frontier in relationship marketing", International Marketing Review, Vol. 13 No. 3 24-42