Expert view on Key Account Management
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In 1996 the authors started a research club in Cranfield University School of Management because it was obvious even then that the power had been transferred from suppliers to customers. Customers were exercising their new found power by dropping suppliers who didn't live up to their expectations and by forcing down prices from other supplies.

The problem back in 1996 was that no business schools anywhere in the world had bothered to do any research into the transfer of power from the supplier to customer, so the authors decided to establish a research club based in Cranfield with the sole purpose of researching global best practice in the domain of key account management. This research club has been going for fourteen years and has systematically researched best practice, not just on the supply side, but also on the customer side. This dyadic research approach was essential because, even back in 1996, it was obvious that supplier decisions about customer relationships were based on a biased and ignorant foundation. Over the intervening years, the following topics have been the focus of our research:

1. Selecting key accounts

The authors have heard a director of a major telecommunications company claim that they had 1,000 key accounts! The chief executive of a health care company claimed that they had 200 key customers.

Such numbers are, of course, totally ridiculous. A moment's thought will reveal that any supplying company has limited capacity to commit cross-functional resources to selected customers. Each of us has hundreds of friends, but we only have the capacity to devote real quality time and love to a handful – maybe four or five. The same principle applies to companies, who must decide extremely carefully which major customers they are prepared to allocate their scarce resources to. For best practice companies our research shows that this is rarely more than 20.

2. Categorising Key Accounts

Even today, the authors hear of suppliers classifying their key accounts using fatuous labels like A, B, C or gold, silver and bronze. Imagine a call centre operation letting it slip that they were dealing with a F or a bronze customer! The mind boggles over such derogatory, supplier-centric labels.

3. Key Account Profitability

Our research reveals that about 85 per cent of Western European companies do not know whether they make or lose money from their biggest customers. They <u>think</u> they know, but most don't.

We have enjoyed Activity Based Costing (ABC) for over twenty five years, yet most companies still haven't learned the lesson that it is the cost of dealing with the customer after the "product has left the factory" that causes either profit or loss. Even today, most companies still do product profitability and marmalade their fixed costs to customers based on turnover, so penalising customers who are inexpensive to service and rewarding customers who are expensive to serve.

4. Customer Needs Analysis

Readers would surely agree that suppliers must really understand the needs of their customers and amend their approach accordingly. Alas, this certainly wasn't the case back in 1996 and is still largely untrue today. When key account managers are trained to sell volume and are paid accordingly, they have little interest in giving up substantial amounts of time and energy in researching the processes, organisation intricacies, financial details etc of their customers. But without such an investment, they will never be able to align their offers with their customers' needs.

5. **Strategic Planning for Key Accounts**

This latter point is obviously related to the issue of preparing strategic plans for key accounts. The authors were recently running KAM workshop for a blue-chip supplier of expensive equipment for hospitals. On being told that one hospital had a multi-million pound budget for such equipment, we asked about the supplier's strategic plan for this hospital. Alarmingly, we were told that there was only a one year forecast and budget. We were reminded of the famous saying that the god thing about not having a strategy is that failure comes as a complete surprise and is not preceded by a long period of worry and depression! Having strategic plans covering a period of a least 3 years agreed with the customer, is a major factor in successful and profitable relationships, yet even today little exists beyond supplier-centric forecasts and budgets.

6**. Roles and skills of Key Account Managers**

It was surprising to say the least, that little was known in 1996 about the roles and required skill sets of key account managers. Amongst other things, we supervised a major doctoral thesis on this topic, so we can speak with great authority about what world class key account manages should be doing and what skill sets they require. What is certainly true is that it is definitely not an enhanced version of selling and negotiating, but more of a general management role.

7. **Other issues**

Other areas for our research efforts included the role of IT, organisational structures, measuring KAM effectiveness, communications, cultural issues, all of them covered extensively in our research papers.

It is a sad reflection on universities and business schools the world over that what is without doubt one of the biggest issues facing business today is neither researched nor taught and it raises the interesting question of what they think their purpose is. Certainly, in the UK, there is a growing view that our University funding processes are driving our business schools deeper into irrelevant research cul-de-sacs of little relevance to practitioners.