# The MMML Ten Commandments for Profitable Key Account Management (KAM)

1. Understand that KAM is NOT Selling or Sales Force Management
2. Select a limited number of these KAs for the KAM Business (between 15 and 30)
3. Categorise these KAs according to their potential for growth in your profits over the planning period
4. Understand in depth the needs of the selected KAs
5. Categorise the KAs according to your relative strengths in each KA compared with your major competitors
6. Understand your portfolio of KAs.
7. Set realistic objectives and strategies to grow your sales and profits
8. Develop strategic plans for selective KAs
9. Calculate whether the aggregate KA objectives and strategies create shareholder value
10. Ensure that you have the right people in charge of your KAs

## 1. Understand that KAM is NOT Selling or Sales Force Management

- a growing proportion of revenue is coming from a few major customers ( KAs )
- these KAs must be separated from the mainstream customer base and placed in a special programme.
- they cannot be managed by the traditional sales force. They need a totally different approach.
- ensure that the whole organisation understands this, as it is they who have to deliver KA value.

## Select a limited number of these KAs for the KAM Business (between 15 and 30)

- the selected KAs require the allocation of a major part of your resources, so you can't have too many.
- (it's a bit like our own circle of friends. You can have only a limited number to whom you devote special attention )
- don't select only current customers. Include at least one or two with whom you would like to trade.
- also, think about the future potential of some of your existing customers.
- the criteria will usually include size of wallet, but could also include strategic criteria, such as their value as a reference account.

**3. Categorise these KAs according to their potential for growth in your profits over the planning period**

- the criteria will include the KA potential wallet size over the planning period, the % growth, multiplied by
- the potential ROS available to ANY competitor, not just to you.
- list them on a " thermometer " ( vertical axis ) according to their potential, from " high " to " low "
- this axis can be labelled " KA Attractiveness , but please note that those KAs near the bottom are not unattractive, just less attractive than KAs above them

## 4. Understand in depth the needs of the selected KAs

- this is a major exercise, not something that can be done quickly or casually.
- the following need to be understood in depth: the KA's value chain from end to end; their strengths and weaknesses compared to their competitors; their key financial ratios; their competitive position; their buying process.
- you need to understand your KAs better and in more depth than you understand your own company.

**5. Categorise the KAs according to your relative strengths in each KA compared with your major competitors**

- at this stage, a standard SWOT analysis will suffice, using some of the information gathered above.
- in some KAs you will have more relative strengths than in others.
- place them on a horizontal line, with the highest strengths on the left and your lowest strengths on the right.

**6. Set realistic objectives and strategies for each segment to grow your sales and profits**

- combine 3 and 5 above by by making a four box matrix, with KA Attractiveness on the vertical axis and your relative strengths on the horizontal axis. Represent each KA as a circle, with the circle size relative to each KA's wallet size. There will be KAs in each of the resulting four boxes.
- KAs in the bottom left box are less attractive, but you enjoy strengths there ( 1 )
- KAs in the top left box are attractive and you enjoy strengths there ( 2 )
- KAs in the top right box are attractive, but you have few strengths there ( 3 )
- KAs in the bottom right box are not attractive and you have few strengths there (4 )

## 7. Set realistic objectives and strategies to grow your sales and profits

- set clear priorities and stick to them.
- for quadrant 1, manage for sustained earnings.
- for quadrant 2, manage for growth in revenue and profits.
- for quadrant 3, select the most promising KAs and invest for improving your position. Do NOT try to maximise your profits in these KAs.
- for quadrant 4, manage these KAs for cash and minimise costs.

## 8. Develop strategic plans for selective KAs

- prepare KA plans for KAs in quadrants 1, 2 and 3 ( selectively )
- forecasts and budgets will suffice for KAs in box 4
- these KA plans should spell out quantitatively how you are planning to create advantage for them. The only way you can create advantage is: by creating value ( e.g. helping them to sell more etc ) helping them to avoid costs; helping them to reduce costs. These are not the same as merely helping these KAs to avoid disadvantage.

## 9. Calculate whether the aggregate KA objectives and strategies create shareholder value

- carry out a risk assessment of your strategies for each KA
- calculate risk-adjusted net free cash flows for each KA over the planning period.
- allocate the relative capital employed in each KA and multiply this by the cost of capital.
- an overall surplus means that your KA portfolio is creating shareholder value.

## 10. Ensure that you have the right people in charge of your KAs

- for box 1, you need senior, experienced managers, preferably who are good at project management.
- for box 2, you need people of General Manager calibre.
- for box 3, you need senior people who are more entrepreneurially orientated
- for box 4, it really does not matter all that much, as long as these people are good at controlling costs.