

Strategic Marketing Case Studies: Key Accounts Management

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Each of these mini-cases is based on real cases, but the names and some of the circumstances have been changed. Any name similarity with existing companies or people is entirely accidental and unintended.

The following mini-cases are offered to readers as a way of considering just some of the complex issues which face all organisations who are serious in their intentions to build profitable and lasting relationships with customers.

This selection of mini-cases has presented just a small part of the myriad of problems that result from an organisation's efforts to become more customer focused. We have also included some case studies from the customer's point of view, which may be used as training scenarios for "boundary spanning".

Please "role-play" the characters in the mini-cases, but also consider what would happen in your company if it were faced with the situation described, and how you think your customer would react.

We have included a brief discussion at the end of each mini-case. We stress that these are not answers, as there is never a perfect answer to any problem in life. Please compare our thoughts with your own, and please discuss them with colleagues, as this is the best way to learn.

We hope that you will enjoy thinking about these problems, and will be better prepared as a result for dealing with the challenges inherent in your key account relationships.

Continued on next page >

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Case Study: Diversification dilemma

SNT, a medium-sized IT services provider, implemented a "turnkey" information systems solution for a major Government department five years ago, which they continue to support. Relationships between the Board of SNT and the senior professionals in the department are very positive.

However, the key account manager absorbs most of the stress inherent in the business relationship. He has had to mediate in disagreements between SNT and government technical staff on a few occasions, when the system has not met user expectations. In addition, the system now needs a major upgrade, which has been delayed because of budget constraints. The perceptions of users are that the SNT system is creaking at the seams, and SNT are not responding to their needs to squeeze more out of it.

The Government has now decided that it wants to contract out all the IS operations of this department, which will mean any bidder taking on all the civil service technical staff in the unit, as well as being given the challenge of upgrading the system and keeping it up to date. The opportunity will be advertised in the European Journal, and subject to all the usual public sector tender approval procedures, designed to ensure fairness and objectivity.

As an existing supplier, SNT are invited by the senior civil servants in the department to a meeting, to be informed of the new situation (the grapevine had already got to the key account manager). The meeting involves the Managing Director and the key account manager from SNT, and, from the customer, the head of department and head of IT (the latter will probably be transferred to the employment of whoever wins the bid). Officially, the department staff are only one small part of the decision-making procedure for the new contract, but they can influence the brief. Meanwhile, SNT have concerns about whether it is strategically appropriate for them to bid for an "outsourcing" contract, and whether they can compete with big international players in public sector outsourcing. However, they do not really want to lose this flagship customer.....

How should they conduct the meeting?

What did they decide to do as a result of it?

Case Study: Diversification dilemma (continued)

Discussion: SNT have clearly had problems integrating their operations with the customer's, and have not developed the network of contacts seen at the co-operative-KAM stage. Consequently, they are starting at a disadvantage.

Nevertheless, at the meeting, both representatives from SNT should show real enthusiasm for the proposal, and should act as if they were extremely keen to proceed with this outsourcing opportunity, and put the relationship on a new footing. The objective should be to collect as much information as possible about overheads, including salaries, terms and conditions, and details of all fixed and variable costs. Crucial to any potential bid will be a deep understanding of all the tasks undertaken by the customers information systems department. The purpose of this is to establish whether there is likely to be sufficient margin in such a contract to warrant starting what will, in effect, be a new business venture.

Having done these calculations, the company should decide how it is going to respond to the trend towards out-sourcing of information systems work. There are three options:

1. ignore it, and continue to be a software house;
2. form alliances with outsourcing specialists; and
3. diversify into outsourcing.

In order to be an outsourcing company or even an alliance partner of one, SNT would have to invest a great deal in relationship building and understanding how to manage in different company cultures.

In the event, even the "one-off" opportunity was considered to be such a radical departure from SNT's core business, that they decided to forego the opportunity. They worked with the large consultancy that won the bid, and were eventually taken over by them.

About Malcolm McDonald Consulting

Malcolm McDonald Consulting Ltd. is a strategic sales and marketing consulting business.

With our end-to-end interactions, from Board level to internal project team, we help companies create value through getting the fundamentals right in strategic sales and marketing, all within budget and the agreed deadline.

Professor McDonald and his team of consultants work with the Boards and internal teams of executives from a number of the world's leading multi-nationals on all continents.

Malcolm McDonald is Emeritus Professor of Marketing at Cranfield University, and Visiting Professor at Henley, Warwick, Aston and Bradford Business Schools. He authored over 40 books on marketing and key account management.

Coming from a background in business which included a number of years as Marketing Director of Canada Dry, Malcolm has successfully maintained a close link between academic rigour and commercial application. He has consulted to major companies from the UK, Europe, USA, Far East, South-East Asia, and Africa, in the areas of strategic marketing and marketing planning, market segmentation, key account management, international marketing and marketing accountability.

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