

Strategic Marketing Case Studies: Key Accounts Management

By Malcolm McDonald, Emeritus Professor at Cranfield School of Management, Professor at Warwick, Henley, Aston, Bradford Business Schools and the Sino-British College USST Shanghai, and Chairman of Malcolm McDonald Consulting

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 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.

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.

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Case Study: Learning to look a gift horse in the mouth

Jo Young, who works for Punch Financial Services, is key account manager for Clover Inc, an innovative fertiliser company. Punch is well-known for its co-ordinated approach to customers' risk management - key account teams consist of a variety of specialist underwriters.

She is approached by Brian Dale, the Finance Officer of a very large local government authority. He has heard about Punch, and Jo herself, from someone he knows at the golf club, who was at university with her. His Authority has a myriad of suppliers of financial services, and he would like to start consolidating with fewer suppliers, as contracts come up for renewal. Because of public procurement procedures, he cannot promise a full partnership, and he makes it clear to Jo that Punch must compete with incumbent suppliers on price.

Jo listens politely, thanks the Finance Officer for his interest, and says she will come back to him to suggest how they might proceed.

Punch operates very pro-active prospect targeting, and one of the key criteria used is that companies of strategic interest to Punch are likely to be in high risk businesses. Punch has never done any work in central or local government. Although the company has never turned "bluebird" business away in the past, Jo is not entirely sure that it would do either party any good to do business on a transactional basis. The local government authority would never be "key" to Punch, whereas it might be "key" to another financial services company.

Then she considers that the nature of the public sector has changed significantly in recent years, and there are new opportunities for shared risk. Perhaps Punch ought to rethink its aversion to public sector business?

What does she decide to do?

Case Study: Learning to look a gift horse in the mouth

(continued)

Discussion: It is always very flattering to know that a contact has recommended you to another organisation, and instinctively we want to do a good job for the person who is approaching you on this basis. Jo could treat this as a test case, to explore whether opportunities really do exist for building some kind of profitable partnership with public sector organisations.

However, difficult choices do have to be made in key account management. Punch cannot afford to be all things to all people, and must be pragmatic. This local government authority is likely to be in the bottom right hand box of Punch's account portfolio matrix. The reason is that the profit opportunities are likely to be minimal, and Punch's strengths compared to others are also likely to be minimal. Whilst Jo might indeed want to do a good job for Brian Dale, he is working in a political environment where his professional judgement could be overruled. Learning the formal and informal decision making structure of a big local authority would be a major challenge.

Jo decides to supply the minimum information necessary to ensure Punch is included on the tender list. If invited to tender, she would submit a standard proposal, but would make no allowances for Brian's warnings on price. In fact, she would probably have to include a substantial contingency to compensate for the risk to Punch of taking on non-core business. This means that she keeps faith with Brian and the contact who recommended her, whilst also keeping faith with Punch. In the unlikely event of the tender being successful, the business would be treated as incremental and transactional, a one-off. It could generate useful cash for Punch, without having to tie up too many scarce resources chasing low margin business. Punch has a special department to look after tactical business.

Had an invitation to tender been received without the personal contact and apparent keenness of the Finance Officer, Jo would definitely have decided not to submit a proposal.

The situation would have been quite different had it been a food or chemical company (i.e. high risk). Punch would have seen an opportunity for at least a twenty year relationship, and would have invested considerable resource and effort into learning about the prospect and their risk management challenges. They would have ensured a highly competitive, value-based proposal was presented to 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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