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THE KEYS TO EFFECTIVE STRATEGIC ACCOUNT PLANNING



**Key 1: Define
“What is a strategic
account?” and assess
the ongoing fit**



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By Steve Andersen

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“The keys to effective strategic account planning” is a best-practice model Performance Methods Inc. has developed from our extensive client work in the strategic account management area as well as our affiliation with the Strategic Account Management Association. Chances are, if you’ve recently gone to a SAMA event, you even may have attended a session bearing the same name. This model, based on 10 critical best-practice areas, establishes a SAM execution framework. In this article series, we will “unpack” each key and provide insight into how global industry leaders achieve SAM excellence through effective implementation of best practices.

Define “What is a strategic account?” and assess the ongoing fit

Our work with clients has taught us much about the importance of defining strategic/key accounts and communicating this effectively both internally and with the selected customers. Experience shows that the account selection process is typically ongoing and a critical component of any successful SAM program. At first glance the accounts and customer relationships most important to a supplier’s business may seem obvious, but on closer inspection it is usually the case that these decisions can be challenging and even stressful for an organization. How can something that sounds so good for both the supplier and customer become such a difficult decision process?

What makes a customer strategic?

Among other factors, this depends in part on the customer’s willingness to partner with the supplier, as most suppliers have limited resources and wish to focus on a select number of key customer relationships and deploying resources accordingly. Zurich Financial Services Ltd. (www.zurich.com), an insurance-based financial services leader, has implemented a successful SAM program led by the global corporate business division. Zurich’s approach to defining and assessing strategic accounts and strategic account performance is a best practice.

Ron Davis, executive vice president of the global corporate business division, offers this perspective

The keys to effective strategic account planning

- 1: Define “What is a strategic account?” and assess the ongoing fit.
- 2: Discover what the customer values most and validate it.
- 3: Assess and strengthen the account’s most strategic relationships.
- 4: Position and differentiate the supplier’s unique value with the customer.
- 5: Integrate and balance the account and opportunity planning processes.
- 6: Align the supplier’s objectives with the customer’s.
- 7: Develop and implement a proactive growth strategy to grow the account.
- 8: Engage the customer in the account planning process.
- 9: Establish performance metrics to measure and track SAM execution.
- 10: Provide coaching and sponsorship to account teams as needed.

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on strategic account definition: "Our model of defining strategic accounts requires direct input from our customers. Our relationship leaders [i.e., strategic account managers] talk with each customer in advance to determine if there is mutual interest in establishing a strategic relationship."

We couldn't agree more with this approach, as we see far too many so-called strategic customers that don't know they are strategic, don't care that they are or don't understand what it means. Davis went on to add that it is considered the relationship leader's responsibility to conduct an ongoing assessment of both parties to determine whether they perform and execute as expected, and Zurich uses qualitative and quantitative metrics to support this.

Strategic customer/non-strategic supplier

What happens when a supplier considers a customer to be strategic to the supplier's business, but the

customer does not consider the supplier to be strategic to the customer's? This dynamic, which is all too common, almost always results in an unbalanced relationship in which the supplier inputs strategic resources and value into the relationship while the customer is more focused on receiving tactical outputs from the relationship (price, terms and availability). Because most suppliers, including well-resourced industry leaders, would agree that there simply are not enough resources to serve all customers as though they are strategic, it becomes critically important to select customers for SAM program participation that are committed to such a relationship.

Unfortunately it's no longer surprising to hear supposedly strategic customers say things like, "I didn't know we were a strategic account," "I don't know what it means to be a strategic customer" or, even more disturbing, "Oh, good—what do we get for being strategic?" The ideal strategic customer-supplier relationship

is what we refer to as authentic in nature, which means that each party wants the other to succeed and demonstrates this through action. You may ask how this can be with the rise of more enabled and empowered procurement and supply chain organizations that seem increasingly driven to command the "last dollar." Supplier relationships with strategic customers must of course go far beyond the procurement organization. Building a high and wide network of customer supporters and sponsors is an important objective for any supplier committed to becoming more strategic.

We see an evolution occurring in which the customer's decision team expands to include more influencers, recommenders, decision-makers and approvers. These types of individuals have very different definitions of value depending on the person's level within his organization as well as his specific responsibility area (e.g., finance, marketing, engineering, quality, information technology and human resources). The most effective strategic relationships that we see are those that align the customer's and supplier's teams in a way that provides connection points up, down and across the customer's organization. This provides a foundation for an authentic strategic relationship between the parties in which each has a greater understanding and appreciation of the other's needs and objectives.

It's not just about size

In the past it was almost predictable that the definition of strategic customer was a function of ranking customers by revenue, then skimming off the top group as the most strategic. Even today this kind of sorting is likely to be at the front end of most attempts to define strategic accounts and customers. But we feel that there is much more to a strategic relationship with a customer than revenue, and this becomes increasingly apparent when we consider the success of specific strategic customer-supplier relationships we have observed. In other words now

that we've defined and selected strategic customers, how do we measure our relationships' performance? The most effective SAM programs develop criteria for determining how to measure the success of the relationship and use these metrics to assess the ongoing fit with a strategic account profile.

Ahlstrom Corp. (www.ahlstrom.com) is a leading global developer and manufacturer of high-performance specialty papers and fiber composites for industrial applications. Ahlstrom is implementing a key account management program, and the company's approach to defining and assessing strategic accounts and strategic account performance is a best practice.

Rami Raulas, executive vice president of sales and marketing, offers this perspective on strategic account definition and fit: "We do business with some of the largest corporations in the world, so determining strategic value and fit almost always starts with the consideration of company size and revenue. But to us strategic fit is more than this, and when we consider additional factors such as how global the relationship is, the opportunity to share best practices and our potential to grow together with the customer in the future, the definition of a strategic customer relationship becomes more specific, and the picture becomes more complete."

Strategic performance "zones"

There are of course many different methods to determining strategic account fit and performance, and no one seems to have an approach that will work for all suppliers and strategic account programs. As with most things related to SAM/KAM, a supplier's strategic account profile must be customized to the way the supplier does business and should consider performance and the past proven value of successful (and perhaps even unsuccessful) strategic

account relationships. We have found that there tends to be a set of strategic performance zones that can be useful in continually assessing strategic relationship performance. While not a substitute for SAM *execution* metrics

'Our model of defining strategic accounts requires direct input from our customers.'



(a subject to be covered in a future article as Key 9), these zones provide a framework within which to examine and assess the success of the strategic customer-supplier *relationship*:

- **Value:** All seem to agree on the importance of creating predictable, sustainable and measurable business value with strategic customers, but the important question becomes "How do we know we are meeting and exceeding our customer's expectations of value from a strategic supplier?" Value can be a function of many different variables, yet some of the more interesting we see include
- **Alignment:** Alignment is about connection and fit, and this strategic performance zone is about determining where and how the supplier is able to best connect with a strategic customer and align objectives with it. Alignment considerations may include the fit of the supplier's products, solutions and services with the customer's requirements, the competitive position the supplier has developed and achieved over years with the customer, and the customer's buying and purchasing strategy and how well it fits with how the supplier is set up to do business. Equally important is the ability of the customer's and supplier's teams to connect and achieve team-to-team alignment, including on a global basis as needed.
- **Relationships:** It's clear strong relationships are vital to achieve and maintain effective strategic account performance, but we have observed that this goes far beyond how well the parties "like" each other. Challenging dynamics are emerging in strategic customer-supplier relationships, and these may include the customer's true willingness to partner (demonstrated by actions, not just words), the relationship's depth and breadth throughout both organizations and the account manager's ability to develop a set of supporter and sponsor relationships within the customer's organization (maybe also within the account manager's own).
- **Growth:** Growth's traditional definition has always focused on revenues and perhaps even profits, but what about the growth factors

attractiveness of the customer's market (for the supplier's products, solutions and services), the supplier's share of the customer's spend (on related products, solutions and services) and the opportunity for the customer and supplier to create mutual value by sharing best practices.



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that may precede these types of numerical growth? Strategic suppliers are beginning to look beneath the numbers to the true determinants of growth, and we think the degree of collaboration, mutual innovation, joint planning and business value co-creation between customer and supplier may go a long way in determining future growth. The modern, trust-based customer-supplier relationship always seems to have at least one of these dynamics at work—sometimes all of them.

Assessing strategic fit

After you define strategic account and help your customers understand what they have to gain by participating, success is still not guaranteed. Even the most effective strategic customer relationships are subject to attack by competitive, economic, market, technological or regulatory pressures. The purpose of continually assessing the strategic account relationship is to ensure we receive early warning indicators of strategic *non-performance* before matters become worse or it is too late to make corrections. To this end, the typical strategic account profile will have a mix of objective and subjective factors and, as many organizations are beginning to realize, perhaps performance factors


that come directly from the customer.

As we all know, it can take years to develop a trust-based partnership with a customer, yet the strongest

relationships can be damaged in a short time period—even instantly. Imagine the insight that can be developed and shared with account team members (and the customer) through the ongoing assessment of the strategic relationship and analysis of change (within performance zones). If we consider an assessment approach that ranks our effectiveness over time, then we have the opportunity to target areas of desired improvement and focus our account planning process on addressing those areas with the highest impact and greatest importance to our strategic customer relationship. This approach's upside seems clear, while the downside may be best described as fraught with risks and surprises that almost surely will not favor our account management efforts.

Conclusions and recommendations

Many of today's most successful companies are becoming more strategic to their customers through the deployment and implementation of effective SAM/KAM programs and best practices. In many cases these programs are launched with a series of discussions about who the strategic customers are and how they compare with each other. We suggest that before moving too far in the direction of the

who and *how*, perhaps it would be wise to engage in enterprise-level collaboration about *what* a strategic account is and what makes a customer strategic to the supplier's business. This can go a long way in reducing the number of selection/de-selection activities currently occurring and ensure that supplier SAM/KAM programs focus their account management resources and activities on the right customers. 

Steve Andersen will conduct a session about the keys to effective strategic account planning at SAMA's 47th Annual Conference in May in Orlando, Fla., where attendees will also receive an account planning template supporting the keys. He is president and founder of the Atlanta-based consultancy Performance Methods Inc. (www.performancemethods.com) and can be reached at (770) 777-6611 or sandersen@performancemethods.com.

Additional resources

For more information on this subject by this writer in SAMA's library, the editor recommends: Steve Andersen, "Turning the keys: how global industry leaders deploy the keys to effective strategic account planning," *Velocity*®, Vol. 12, No. 2, Spring 2010, www.strategicaccounts.org; and Steve Andersen, "On-demand webinar: accelerated account planning—driving customer value through high-velocity collaboration," Sept. 8, 2008, www.strategicaccounts.org.



About Performance Methods, Inc. Based in Atlanta, PMI provides consulting and training services to assist clients in the design, development and deployment of customer engagement best practices. PMI's unique approach provides clients with customized and integrated solutions consisting of sales processes, best practices and consultative selling skills. PMI has been selected by many of the world's leading corporations as their sales best practices partner and has been widely recognized for the innovation, effectiveness and the strength of its contemporary suite of customized sales performance solutions. PMI is an active participant and sponsor in the Strategic Account Management Association (SAMA), the world's largest non-profit community of strategic account management and sales best practices, and will be featured in the ten-part article series **The Keys to Effective Strategic Account Planning**. PMI has been cited by Effectiveness Solutions Research (ESR) for leadership in the areas of depth and breadth of the PMI sales best practices solution suite, strength of methodology, value-selling orientation, advanced selling skills, solutions effectiveness, ability to customize, change management, global implementation, sales performance and sales training measurement, return-on-training and innovation. PMI has been acknowledged by TrainingIndustry.com as one of the top sales training and methodology providers for 2008, 2009, 2010, 2011 and 2012 and was featured in **The Best Practices of High Performing Sales Teams** article series. PMI creates worldwide client value and coverage through its global partnership with Mercuri International, the world's largest sales training and development consultancy.

For additional information on Performance Methods, please visit www.performancemethods.com.

