**Strategic Sales Management**
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**Lecture - 20**
**Key Account Management and Consumer Centric Selling**
**Selling and Consumer Behaviour**

Welcome back everyone. Today, we will be going ahead with the session 4 of the week 4 which is about Key Account Management and we will also be looking at the perspectives of Customer Centric Selling. So, as far as this module is concerned once we are done with this, you will be able to comprehend what the key account is. Apart from that you will also be able to understand the criteria that can be used for identifying key accounts and what is the key account management strategies.

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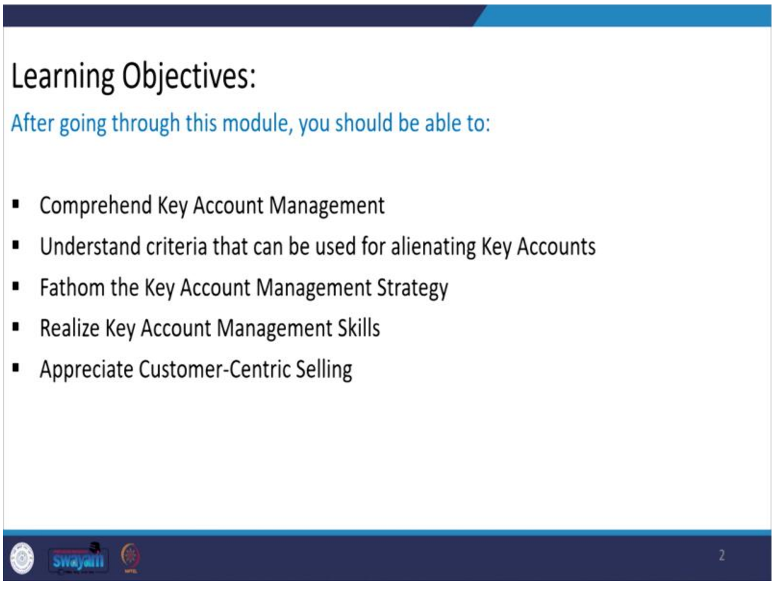


Along with that you will also understand the skills that are required for managing key accounts. And finally, we will move towards the concept of customer centric selling. One thing which is very special about this particular module is the fact, that we will be also looking at one of the exciting topics which is called as customer divestment and I am very sure you will find it very insightful. So, one thing which I think we should start with is what exactly a key account is.

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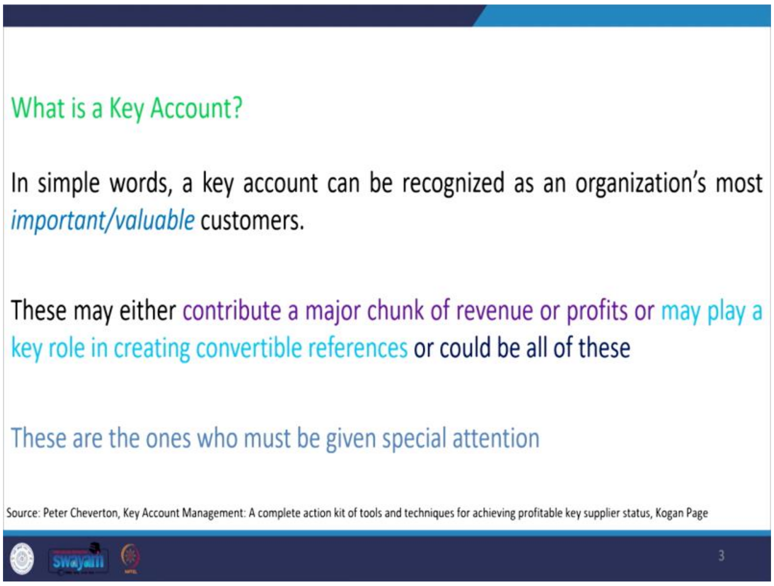


So, in simple word, key accounts are those accounts which are very very important for an organization or we can also say an account or maybe a customer which is very very valuable for an organization right. So, how do we decide what is important, what is valuable? Usually, it is said that may be an organization or a customer which is contributing a major chunk of revenue or profits for you or in ways we can also say who are bringing more of convertible references to you.

Convertible references simply means that, whatever referrals are coming they are being converted to actual customers which mean more of revenue and more of profitability for you. But, if things are done well by keeping in line with the policy of creating a win-win situation as far as strategic selling is concerned.

Now, it is not that it is always going to be one of these. So, definitely you can also have a combination of these which means a key account could be someone who is also bringing a major chunk of revenue, profitability and is also offering a lot of convertible references for you. And, it is needless to say that these are the ones who definitely call for special attention.

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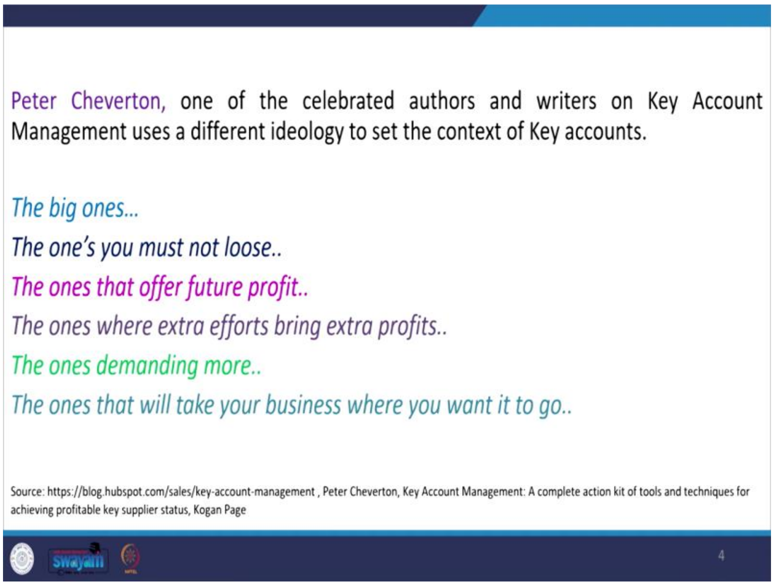


Now, if you talk about Peter Cheverton, who is one of the celebrated authors and writers of key account management text, he has offered a very fantastic ideology to understand about the key accounts. So, one thing which he says is these are the big ones which means, definitely the big accounts who are buying a major chunk of your output. He also says that these are the ones you would not like to lose right.

Who would like losing the customers who are bringing in a major share of revenue and profitability? Apart from that, he also mentions that these are the ones who offer a scope for future profit. Now, that is where we need to hold on. So, one thing with respect to future profits what can be indicated is the fact there could be a situation when in the present times or present scenario, you might be investing more of your resources and profitability could be a future idea.

In that case also, you can consider it as a key account. But, one condition which should preexist is that in future it should bring in profits or you should be able to reap a lot of profits from this particular prospective key account. Apart from that, the scholar also mentions that where extra efforts bring in extra profits, which means if you are giving them a special attention and you are investing more of resources on them, it is definitely going to bring in a major pie of the profits.

Or, maybe we can say apart from the benefits the scholar also mentions that these are definitely the ones who are demanding more from you which simply indicates that you cannot treat them like normal accounts. You will be definitely investing specialized resources in them, you might also build a specialized team who will be only taking care of the key accounts because, if there is a trouble, you would never want a key account to wait for a longer time.

And, one of the best facets is these are the ones that will take your business where you want it to go. Because, again this comes from this particular understanding that they will bring in more of resources for your growth, they will bring in more of referrals which will again give a push to resources coming in which can be utilized for further expansion.

So, I am sure you will also agree the fact that the classification or the explanation which has been given by Peter Cheverton is definitely very very fascinating when it comes to the key accounts.

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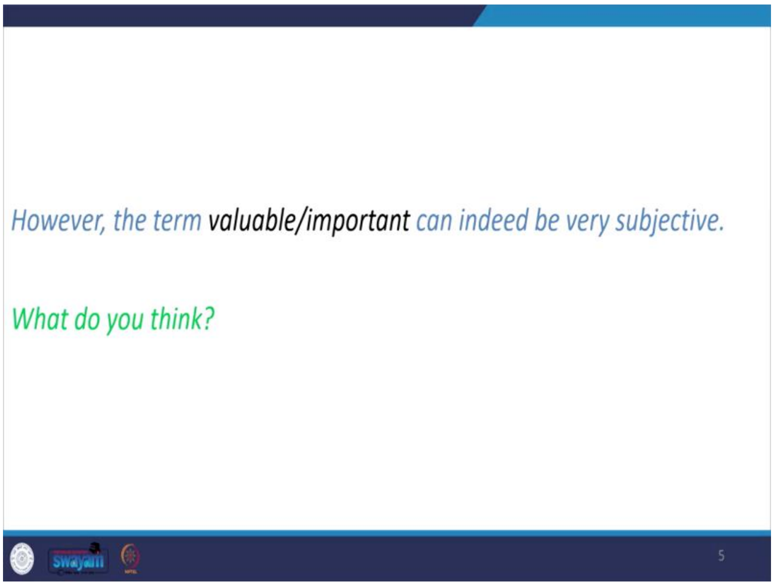


Now, as we talked about you know we always consider key accounts to be valuable important, but do not you think that this term is very subjective? Because, you might have a different meaning for valuable, I might have a different meaning for what is important or valuable or you might have an organization which might classify or define what is important and valuable for them in different terms as compared to another organization.

So, we will be definitely happy to hear your views on this on forum, but I will definitely take this discussion forward.

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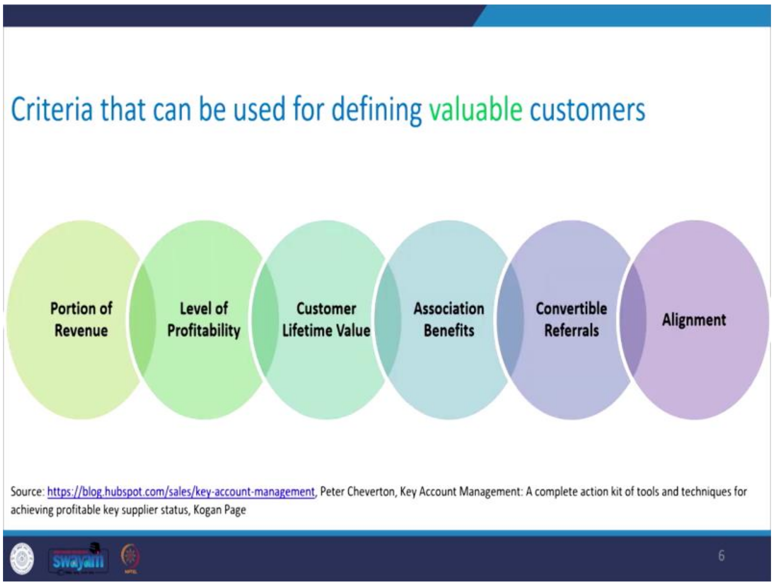


So, when we talk about defining valuable customers or what can be considered as important, these are the criterias that can be used which means you might say I am willing to consider this as my key account by considering these parameters. So, one could be portion of revenue which means they are definitely bringing in a major portion of revenue for your organization.

Or in other words, we can say the levels of profitability are very very high, maybe you can understand this. In this context, let us say there are two organizations A and B, both of which are your customers and you are supplying a ingredient to them which they are using in their manufacturing processes. So, from A organization the profits that are generated are mostly 50 percent is your profitability whereas, with respect to an organization B, it only turns out to be 20 percent.

So, this clearly indicates that you can consider an organization A as your key account. Apart from that, another important criteria or mechanism which can be used for defining valuable customers is customer lifetime value. And, trust me this is a very very important concept as far as present marketing dynamics and sales dynamics are concerned.

Now, what do we mean by customer lifetime value? Customer lifetime value simply indicates the average returns that you expect from a customer with respect to the lifetime that they will be associated with you or during the lifetime of an organization for which it might exist. Or, I think in more of rationalistic way, we can say lifetime could be the time during which they will be associated with you or they will be having transactions with you in terms of business.

Now, the point again which I would like to highlight here is the fact there could be a situation in which the organization which you might consider as a key account is kind of squeezing more of your resources or you might not consider is it profitable in the present moment. But, even if in future there is a very very high probability that it is going to be profitable on the basis of customer lifetime value, then you can definitely assign it the status of a key account.

Now, another factor or criteria which can be used as association benefits. Now, what do we mean by association benefits? Let us say if there is a new player in the organization which wants to sell any raw material or maybe let us say they are more interested in selling any produce to different organizations. Now, one of their buyers tends to be Reliance.

So, you will realize that they will always be using this association with respect to striking better deals or more of business with other prospective customers that is how association benefits are. If you get associated with the bigger player who is very influential or who is known for quality or maybe let us say who have a very strong standing in the market. So, you can also capitalize by using their name for bringing in more of business for your organization.

Apart, from that the other criteria which can be used is definitely convertible referrals. See, I have already given you a perspective about this. By convertible referrals will simply mean whatever suggestions or qualified leads are coming your way, they have a very high percentage of probability of being converted to customers, which means the returns are definitely going to be actual not, I would say just in thoughts right. So, that is what convertible referrals are.

Apart, from that the last criteria, which you can use is alignment. Now, the alignment can be with respect to product which means the product may complement each other. In that case also, there is a very high probability that long term associations could be fruitful or the alignment can also be with respect to culture.

Because, if there are two organizations which are not aligned with respect to let us say their production, performance or quality culture, things may not work out for longer terms. So, I hope you are clear with the idea how we can you know derive meaning of valuable or important in a variety of parameters.

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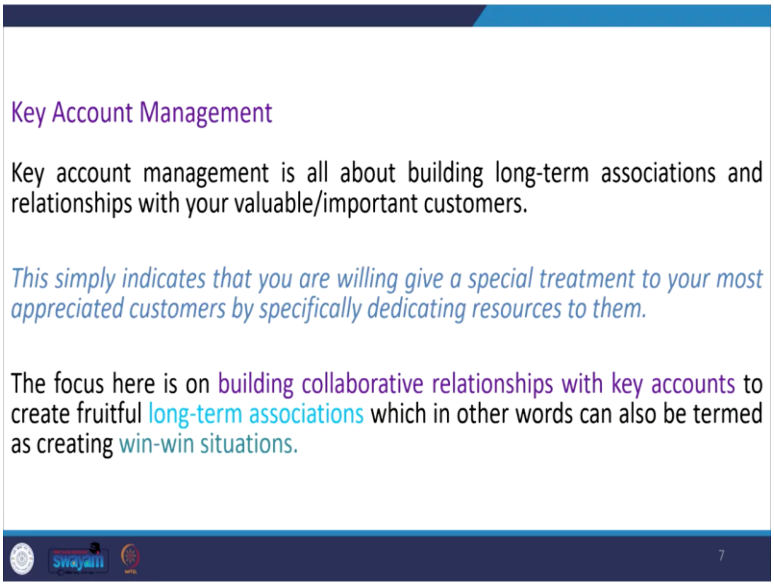


Now, you already got an idea about what is key account, Now, we are getting to the next facet which is what exactly is key account management. You know what is key account. So, key account management is all about managing those key accounts in most effective and efficient ways where your focus is always going to be on the long term situation or creating a win-win situation.

If you remember when we talked about the Miller and Heiman's approach and we talked about six elements of strategic selling, one of them was creating a win-win situation. See, again if you are going to be in a situation where the buyer is winning and you are losing, it is also not going to work for a longer time.

Or, if there is a situation in which you are winning at the expense of the buyer, this is also not going to work for a long time. And, the buyer will either be in a mood to take revenge or will be definitely bad mouthing you after a certain time and will definitely not buy you from again.

So, it is only in case of win-win situations, if not presently in the long run where key account management is going to be possible or will be a the maximum fruits. So, in a way we can also say key account management is all about giving special treatment to your most appreciated, important or valuable customers.

And, you also go ahead and dedicate specific resources to them. And, again to put things in perspective, the focus is always going to be on building collaborative relationship with key accounts for creating fruitful long term associations.

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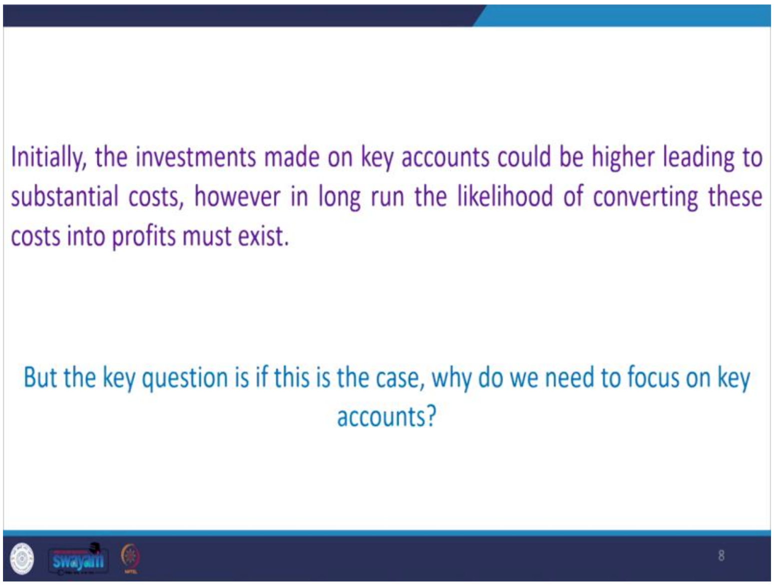


But, see when I am also giving you a perspective that initially you know you might also bear a loss or you could be investing a lot more resources, then which is expected and everything is very futuristic right. If I am investing my resources now and I am thinking that in future this could be profitable, what if things turn out to be different or things do not turn out to be the way I am expecting them to be?

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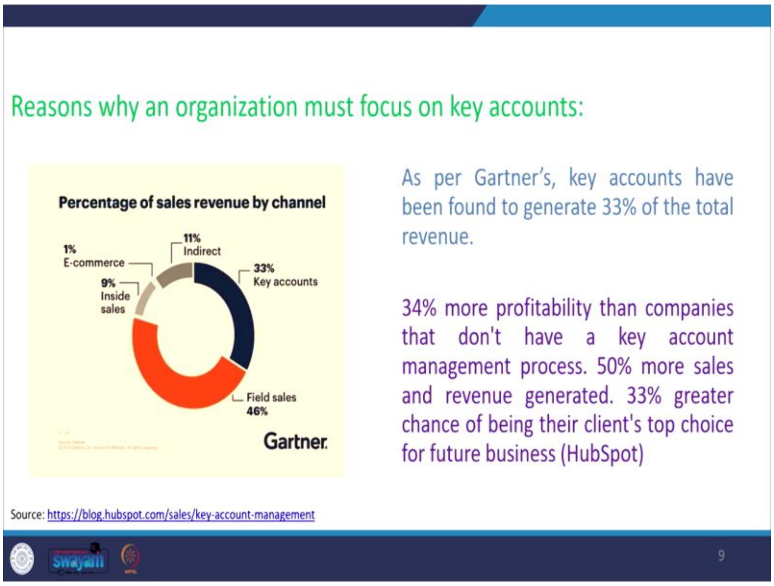


So, the key question is then why do we need to focus on key accounts right? So, as far as the research is concerned which is done by Gartner and Gartner is one of the most reliable resources when it comes to sales related or sales management related research studies. So, they have found out that when you talk about key accounts, they actually generate 33 percent of the total revenue; if you look at it from the perspective of channels.

Your key account which anyway indicates one of the channels which is bringing more of business to you in terms of referrals can actually account for 33 percent of the total revenue. This definitely is one of the reasons why an organization must focus on key accounts.

Apart, from that the other statistic says that 34 percent more profitability than companies that do not have a key account management process, which means the organizations that use the ideology or philosophy of key accounts have been found to be 34 percent more profitable. Apart, from that 50 percent more sales and revenue is generated for those companies which actually imbibe and execute the facets of key account management.

33 percent greater chance of being their clients top choice for future business which means there is definitely going to be a certain amount of trust in between the parties in which they are also going to consider you, when it comes to giving future business which

could even be allied which means which could not be for the present organization that you are catering to may be their allied businesses.

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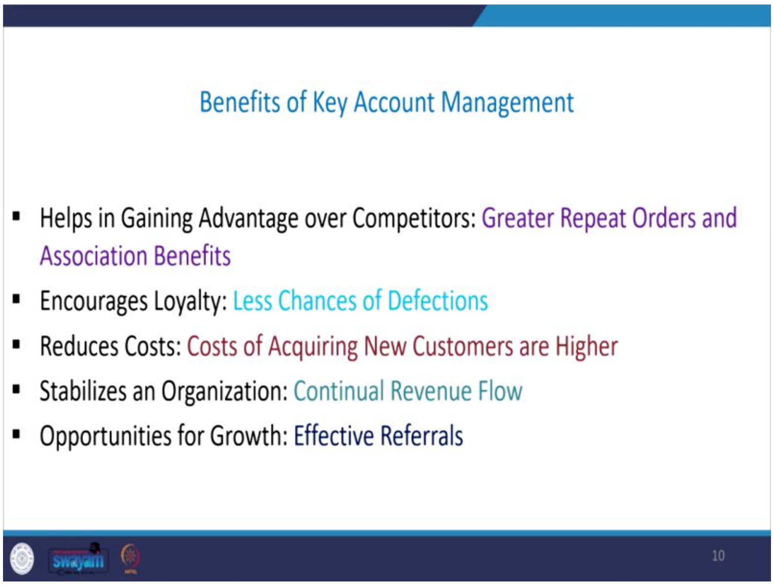


We will also talk about some of the key benefits of key account management one by one. So, the first benefit that we are going to consider is it helps in gaining competitive advantage over competitors. Now, this precisely comes from the fact that you will be getting greater repeat orders and association benefits which I just explained you.

Now, when we talk about competitive advantage and greater repeat orders, what we are trying to say is the fact that you are always going to be on their preference list for giving more of orders. Now, again this can be linked to the existing businesses or can also be linked to the allied businesses.

Another important benefit is that it encourages loyalty, there are very very less chances of defections. Again, this also comes from the fact that they will be giving you more of business and there are very very less chances that they could be considering the other players. See, but this is only going to work when you also move ahead and make substantial or at least required investments through collaborative efforts; only then this element of loyalty is going to step in.

Otherwise, if you do not build a relationship which is more on collaborative benefits things might not work as we have just discussed. Apart, from that it also reduces cost because in marketing research it is very well established or it has been kind of indicated a lot of times through multiple studies that the cost of acquiring new customers is always very high.

The reasons are, first is the amount that you spent on acquiring new customers always has an element of opportunity cost. Apart, from that with respect to integrated marketing communications, again there is a lot of investment in communicating with them right. There is another element of cost which basically comes from the fact that initially you could be giving them more of discounts and other benefits right and which might not even bring in repeat business orders.

So, it is always good to focus on key account management so that your cost of acquiring new customers is reduced right. So, another benefit which can be looked at with respect to key account management is that it stabilizes an organization which means when you have trust with a lot of partners who are giving you preferential treatment with respect to bringing in more of business, there is going to be a continual revenue flow.

This definitely is going to give your organization a stability right. And, this is also implied from the fact that when you have effective referrals, there are a lot of opportunities for growth and more revenue also comes your way right.

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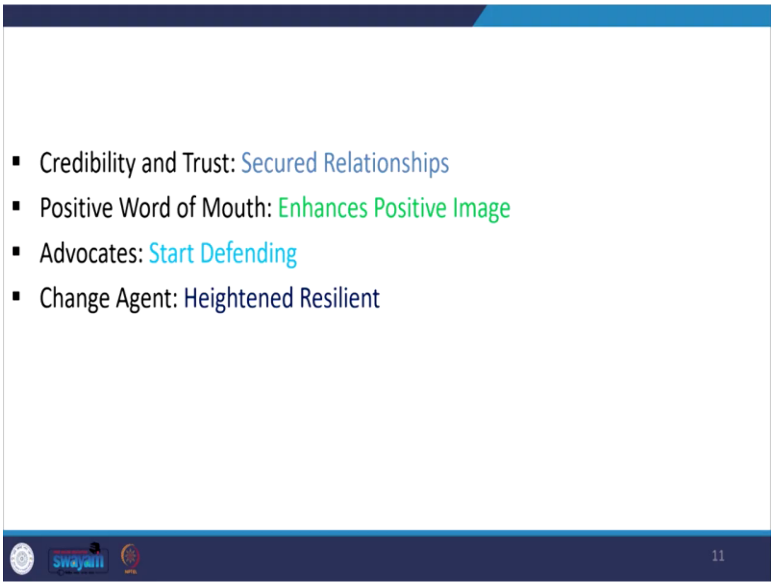

Apart, from that the another benefit which we can talk about is credibility and trust, which means secure relationships. See, again this is coming from the fact when you have made at least the substantial or required investment to work on the principles of collaborative associations, right and, when you try to understand the business functions and processes of your partners, who could be key accounts and then you go ahead and make investments.

This is definitely going to bring an element of security. It is also going to foster a positive word of mouth which will eventually enhance your positive image. Now, there is another benefit which can be associated with key account management. There is going to be a time when you know the association is usually long term and required investments have been made. And, both parties are trying to understand each other and make genuine contribution to each other.

They will also start acting as their advocates for each other which means, if in the circle they will hear you know there is a party who does not have a good opinion about you, they will be definitely there to defend you. And, this can also happen across social media platforms where they could go a mile ahead and start writing positive things about you.

Apart, from that both the parties when they start collaborating with respect to research projects can also be effective change agents for each other which can eventually lead to heightened resilience. Now, heightened resilience could be a result of the collaborative research projects or this can also happen let us say with respect to the technology transfer that happened because of one of the key account partners right.

So, if you look at all these benefits, I am very sure you will have ample reasons to understand why key account management is important for an organization.

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Now, once we have understood what a key account is, what key account management is, what are the benefits of key account management; here is a checklist which again I want you to understand before you eventually finalize on key accounts. So, we will start from the bottom. First is the partner which you are considering as a potential key account should be solvent. If there are going to be issues of financial solvency, I do not think this is going to work for a long time.

Because, in the initial times you could be willing to offer you know credit benefits, but after some time or at least after a certain period, you will also expect the resources to come back so that you can also utilize them for your growth. So, solvency is very important, otherwise it is eventually going to be a case of bad debts.

Another thing is growth potential. This simply indicates that when we talk about key account management, we are anyway indicating that you will be going ahead and investing a chunk of resources to make this relationship work or to have mutual benefits or maybe to create a win-win situation in long term.

So, there has to be some growth potential right. If the organization becomes very unstable and it is not able to survive, anyway your resources are going to be waste. Apart, from that the another checklist is definitely going to be about revenue and profit potential. Needless to say, if it is not going to be a win-win situation, I do not think this is going to make any sense to go ahead and make investment of resources in that particular partner.

There has to be cultural alignment as well. Now, this can be related to how organization functions or how their processes are aligned. You also need to see what is the possibility of becoming a key partner. Now, again this is aligned with the fact that you will see how long in future that you will be able to walk hand in hand. Because, one of the principles of key account management or check listing a key account is the fact that there should be a very high probability of long-term associations.

And, the element of key partners simply indicates that there is a possibility that both organizations will be contributing to each other for mutual growth and benefits. You also need to check for the product fit and continuity in operations which means you also need to see whether your product whatever you are manufacturing is going to be a long-term requirement for that particular organization or not.

So, these are a few facets that can definitely be used as a key account checklist. Now, this course is definitely about strategic selling. And, we have talked at length about it, about its principles you know and also about the facets of strategic selling from the light of Miller's and Heiman's approach.

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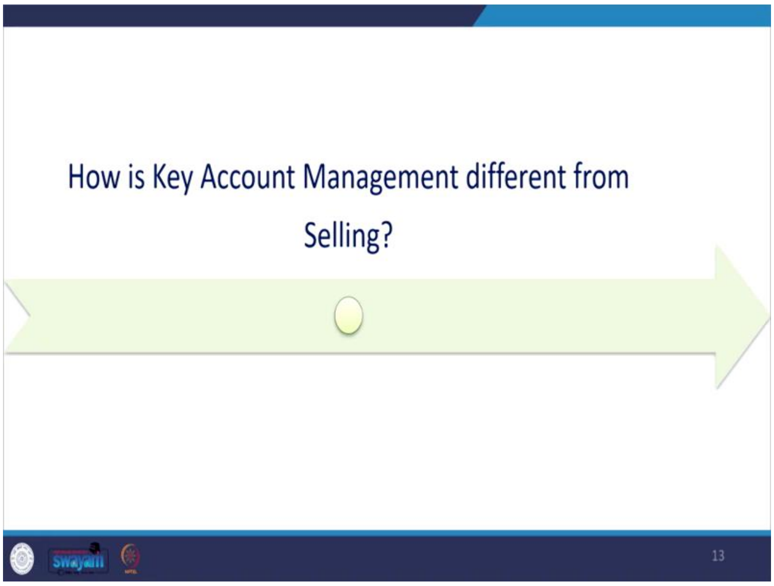

But, you might encounter this question or you might think how is key account management different from selling, right. One thing which I would like to put in perspective is key account management can be considered as a very very important facet or a part of strategic sales management.

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So, this snapshot actually presents a lot of perspectives on what key account management is not. And, if we want to connected with what we were just discussing now, we will also see how this is different from selling. So, the first facet is key account management is definitely not a short run sales drive.

This clearly establishes the fact that key account management cannot be used like a sales promotion technique which means it cannot be used as an inducements to bring in more of sales at a particular point of time and then you can just forget about it. It is not going to work. Like that, it will always have a long-term orientation because you are focusing on creating long-term collaborative relationships with the ones that you consider as your key accounts.

Apart, from that other thing which you need to understand is that this is not going to be a onetime investment. It is not like you have dedicated some resources and it is just going to be for that time, it is again not going to work like that. It is definitely going to be a regular affair where you might be required to not only invest monetary resources, but also a sales persons or a team's important time which would be specifically dedicated to key accounts and this will continue for longer period of times.

So, the third facet is that key account management is not a sales initiative which means it is not going to be like other sales initiatives, which are implemented for once and that everyone forgets about it that is not going to be the case with key account management.

And, the another thing which definitely establishes this point is the variety that you might be required to even prepare special teams which will be working in long-term collaboration and tandem with the prospective accounts that you consider as the key ones. So, the whole idea is it is not a sales initiative, but this should be rooted in the strategic sales philosophy.

Apart, from that another thing which we need to consider is key account management is not just limited to sales team. It is not like you have certain set of people who are imbibing the philosophy of key account management. This has to come from top management.

This also has to come from other players who might be serving those accounts which again indicates, that they should always be prepared to treat those accounts in a special ways so that the continuity in relationships is maintained and revenue sharing is also fostered after a certain amount of time.

So, as we will move forward, in the next session we will be definitely talking about the facets of skills that are related to key account management. Apart, from that as I was just telling you in the beginning of the session, we will also be talking about one of very exciting concepts which is called as customer divestment. So, I hope you really had an enriching experience as far as this particular session was concerned.

Thank you.