



THE

The Key Account Management Tool

STRATEGIC KEY ACCOUNT PLAN

HARTMUT SIECK

3rd edition

Hartmut Sieck

The Strategic Key Account Plan

The Key Account Management Tool!

Customer analysis + Business analysis = Account strategy

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1 How to benefit most from this book

The other day in Germany: The Key Account Manager John Smith is told by his boss to create a Key Account Plan for an important, strategic customer. Should he now quickly prepare a PowerPoint presentation and show it to his boss so he's satisfied? Is a Key Account Plan actually a presentation or a real tool? If it actually is a tool, what characterizes a good Key Account Plan? How should such a Key Account Plan be structured? Should the Key Account Manager prepare this plan by himself? Just as he is contemplating all these questions, he stumbles on an interesting survey by SAMA (Strategic Account Management Association) on the Internet concerning trends in KAM:

Gist of the SAMA survey:

- more than 70% of the businesses surveyed confirmed they had a Key Account Plan template in their organization
 - Only 20% of key account managers said that they actually use this plan as a tool in their daily work.
 - But it was this 20% that was more successful than their competitors in the year of the crisis in 2009!
-

The conclusion from the survey catches John Smith's attention and he decides not to prepare a mere presentation but to make the most of the Account Plan by using it as a real tool.

If you can identify with John Smith, this book is for you. This book will help you to structure and prepare a Key Account Plan in a professional manner. You have already prepared an Account Plan? Then use this book for a thorough scrutiny of your plan.

In this book we will use the term Account Plan or Key Account Plan (KAP). Both terms are synonyms for other terms such as

- Customer Development Plan
- Customer Strategy Plan
- Business Plan with regard to individual customer
- ...

This book is intended to be used as a guide for your work, so you can immediately put into practice what you have just read. If you like, you can choose a customer now and prepare a Key Account Plan for this customer with the help of this book. Of course, you can also just pick out aspects of this book and, for example, go directly to customer analysis.

Some hints on how to use this book. There are two boxes you will find in the book again and again.

The first box is called TRANSFER.

TRANSFER

These boxes enable you to apply what you have read to your own business environment.

The second box is called the HINT box.

HINT

This box contains practical hints on the focal topic of the session.

As a reader of this book, you'll receive a 50% discount on all product downloads. This means that if you're looking for ready-to-use Key Account Plan templates in English or German, or more check lists and tools for your Key Account Management and your sales, just take a look at www.downloadshop.sieck-consulting.de

At the end of your order enter this code 7HW2KCD53T to receive your 50% discount. This code is valid until September 26, 2019.



Yours, Hartmut Sieck

2 Why the Account Plan should be part of every Key Account Manager's tool box

Key Account Management without a Key Account Plan is like a morning without a toothbrush! But while we use a toothbrush as a matter of course, we don't have time for the Account Plan. Yet there are good reasons to use the Account Plan as a real tool. From my experience, there are five strong driving forces in favor of using a Key Account Plan:

1. Customers become more and more complex
2. Products / Services become more comparable and the influence and power of procurement solely focused on price greater
3. Procurement and sales is a matter of teamwork nowadays
4. A few companies have a high strategic significance
5. Increased expectations on the customer side

Let's take a look behind the scenes of these five strong driving forces.

1. Customers become more and more complex

What used to be true for large holdings is now taken for granted for medium-sized companies:

- Companies consist of several business units.
- Companies (almost always) act globally and have several locations distributed all over the world.
- Procurement decisions are not necessarily made at headquarters but can be made at some other location for the entire company (lead buyer concept).

In a nutshell: If you want to make the most of potentials, you need a structured analysis of the customer's whole company!

2. Products / Services become more comparable and the influence and power of procurement solely focused on price greater

Customers buy globally nowadays and at the same time products and services become more transparent. E-auctions, transparent manufacturing costs, reduction of the number of suppliers, and the increasing power of procurement seem to make many decisions a mere matter of price. If you want to take countermeasures, you'll need other approaches besides just selling a product. A network beyond procurement and new sales ideas that are focused on holistic solutions and process cost optimization are necessary.

In a nutshell: Informed knowledge about the customer, his organization, power structures, processes and process costs is the key to success. The KAP supports you in working out these points in a systematic way and find alternative solutions.

3. Procurement and sales is a matter of teamwork nowadays

In B2B an average of 5.4 people is involved in procurement decisions according to a survey from 2013. Today, buying decisions are made by (internationally staffed) committees. In general, more and more people are somehow involved in the decision making process. Since more people and departments get involved on the customer side, more people and departments on the supplier side need to be involved as well. This means that everyone in this sales team (also called selling or key account team) has to have the same objectives in mind and information has to be shared actively among the team members.

In a nutshell: On the one hand, the KAP is a tool to determine decision processes and people involved on an international level; on the other hand, it is a communication tool to ensure concerted action towards the customer within your account team.

4. A few companies have a high strategic significance

I know several companies whose survival depends on a few key account customers. In industries like the automotive industry or food industry, a handful of big players dominate the customer market. The Pareto Principle (the 80-20-rule) is often quoted in this context. It means that 20% of the customers generate 80% of the business' total sales. If one of those clients is lost or business is not developed in a consequent and sustainable way, this may jeopardize the company's very existence.

In a nutshell: If you do not recognize changes in the customer's company or market environment in time, you are endangering your own company. The Key Account Plan thus functions as an early warning system and tool to secure your future!

5. **Increased expectations on the customer side**

When I ask our customers during workshops what customer orientation means, I often get the clear statement: *'I expect my suppliers to know my business, my markets, my processes, and my products, and to offer pro-active solutions accordingly.'*

In short: The KAP can help you to find the necessary knowledge about your customer in a systematic way and keep it up-to-date.

The requirements and challenges mentioned above can be summarized in two fundamental results:

1. It is necessary to have an in-depth knowledge of the customer in all their facets (organization, processes, power and decision making structures, changes on the market, etc.). Therefore, continuous and systematic customer analysis is a **MUST!**
2. Selling needs a holistic, strategic approach. Who on the customer side needs to be influenced when using what message? What customer-specific sales strategies are employed by my competitors? ...
This means a professional competitors' analysis and a strategic sales approach on all levels (multi-level selling) – pursuing both medium and long-term goals – is the key to success.

Here the Key Account Plan for a specific customer comes into play. The plan is a structured tool that supports you in analyzing your customer, your competition and the market, and to develop clear objectives and strategies.

During a workshop, one of the participants perfectly captured the meaning and purpose of a KAP:

‘The meaning and purpose of the Account Plan is having a plan!’

Use the changes and requirements described above as a chance and use your Key Account Plan as an instrument to be one step ahead of your customer and your competitors. In Key Account Management, it is the only way to switch from a reactive course of action to an active, creative one.

TRANSFER

Review the motives mentioned above. What are the key driving factors for you in your specific business environment to prepare an Account Plan?

- Customers become more and more complex
- Products / Services become more comparable and the influence and power of procurement solely focused on price greater
- Procurement and sales is a matter of teamwork
- A few companies have a high strategic significance
- Increased expectations on the customer side

Have you checked at least one statement? Then the Key Account Plan is an important instrument for you.

3 Account Plan at a glance

3.1 What is an Account Plan?

Systematic Key Account Management comprises a number of important modules. In day-to-day practice, eight co-dependent key areas have emerged.

The Key Account Plan is part of the tools dimension and it is strategic document and tool at the same time. Experience from many consulting and training workshops has shown that it may actually be better to speak of a strategic tool only. A document is easily filled in. A tool however has to be used in the right way. And that is the point of a professional Key Account Plan! The more professional and experienced you are in using this tool, the greater the leverage of the Account Plan for your success. The result of the professional work is finally documented – in the (Key) Account Plan.



Figure 1: 8 dimensions of a systematic KAM¹

¹ Source: Sieck, Key Account Management

3.1.1 Structure

At its core, the Account Plan consists of a 4-stage process.

1. Analyze your customer and recognize changes within the customer's company and in its market environment. It is important to derive opportunities and risks for your own business from this analysis immediately.
2. Subsequently, analyze your own current position at this customer in comparison to the competition.
3. From the combination of the first two stages of the analysis you can now derive concrete business potentials or risks and evaluate them in hard currency.
4. As a conclusion from the potential analysis you can now determine concrete business objectives and an implementation strategy as well as a pro-active plan of action.

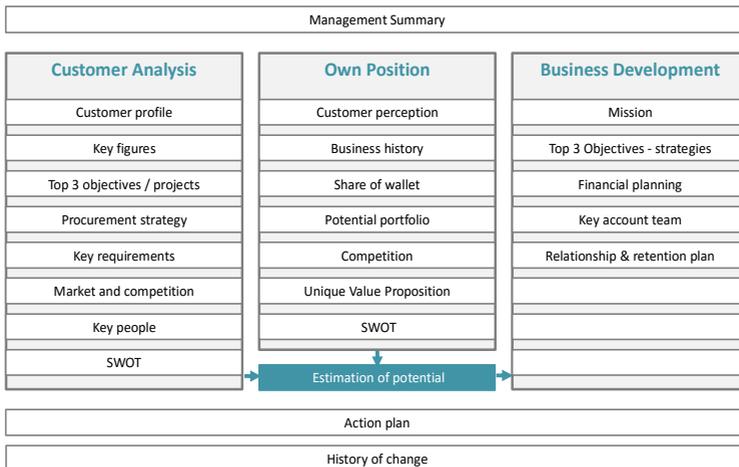


Figure 2: Key Account Plan structure

The following figure shows the fundamental structure of an Account Plan as it is used successfully by many companies today. Important for the success of the Account Plan is the understanding that the individual elements of the plan are interlinked with each other.

Principally, the Account Plan is created based on an individual customer. This also means that its content is customer-specific, tailored to this one customer. Your SWOT analysis for customer A may, for example, include the following note: *‘We have direct and friendly contact with all key people on the customer side.’* while the SWOT analysis for customer B includes this weakness: *‘We don’t have access to the key people.’*

If the customer has several business units, organizational units or companies, an individual KAP will usually be created for each business unit and the core statements of the individual plans will be summarized in a separate section.

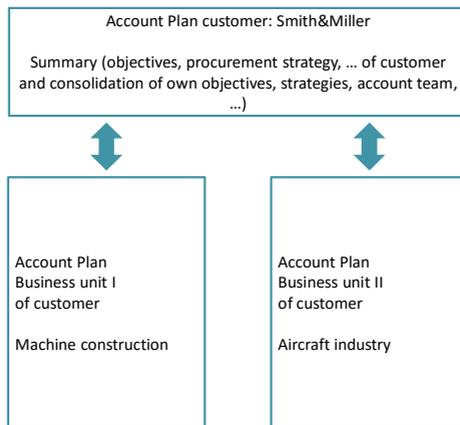


Figure 3: Account plan – customer with several business units

3.1.2 Format

There is not the one format to capture the contents described above. In practice, most companies create and store their Account Plans in a Microsoft Office format. Depending on the size of the plan, companies tend to use either an Excel, Word or PowerPoint format.

In a project from the area of financing, for example, a bank compressed the most important key figures, key data about major people as well as the SWOT to a single Excel sheet. In another project a company created a PowerPoint-based Account Plan presentation consisting of more than 180 pages for a customer with several business areas. A third company created a substantial Excel-based Account Plan in the background which could be quickly embedded into PowerPoint for presentations.

HINT

Experience from many projects shows that having the **Account Plan as a presentation** offers several benefits such as making it easier to communicate the contents within your own company.

HINT

One of the most favorite points of discussion about Account Plans is the language. Experience suggests a clear rule of thumb: For all internationally organized companies it is recommended to prepare the Account Plan in English from the start to be able to actually use it as a communication tool.

TRANSFER

What format do you want to use for preparing your Account Plan in the future?

What format is best suited to your established reporting system and communication style of your business?

- Microsoft Word
- Microsoft Excel
- Microsoft PowerPoint
- Integration into CRM system
- Others: _____

3.1.3 Storage of the plan

A key question in any account management project is that about the document location of the Account Plan. Where do associates find the current version of the plan? These three possibilities represent most of the solutions I have seen in our projects:

1. **CRM System**

Nearly all companies use a CRM (Customer Relationship Management) software solution where all customer-related data is kept. Almost all systems allow for storing documents on the customer level. If you have such a system, it is clearly recommended to store the Account Plan in this central place.

2. **Intranet**

In addition to the CRM, some companies have decided to establish an Intranet-based solution. In such an Account Management

Portal, contracts, important documents or any current information on the customer can be stored. The advantage of this solution is that this portal can be accessed from all over the world and external press releases and publications can be easily integrated. However, in many cases, after a brief period of euphoria, these portal solutions are hardly used anymore.

3. **Network drive or SharePoint**

Especially smaller businesses favor a simple and practical location. The Account Plan and other important documents or project information is stored on a central network drive or SharePoint.

HINT

For the Account Plan to be used, it has to be easily accessible for all associates involved. Practical experience shows that it is vital that not only the (key) account manager has access but the entire account team.

TRANSFER

Where will you store your KAP to enable your team easy access to the Account Plan?

3.1.4 Fields of use

A professionally prepared Account Plan can be helpful for many different tasks. Generally speaking, one can distinguish between the Account Plan as strategic selling tool and as communication tool.

Account Plan as strategic selling tool

- The fundamental task of any Account Plan is to act as a systematic tool – or checklist if you like – to guide you through the entire process from the customer, market and competition analysis to the definition of clear objectives, business potentials, and strategies.
- Another important task follows: if the team creates the Account Plan systematically, it can immediately be used as a planning tool for the next planning period as well as, during the year, as a basis for the rolling forecast. In many businesses the Account Plan is a fixed part of the budget planning process!
- Some companies use the opportunity to run so called Account Plan Reviews annually. On this occasion, the (key) account manager has the opportunity to present his Account Plan to the top management. The structured Account Plan enables you to convince the management more easily of necessary measures, budgets or product adaptations.

Account Plan as communication tool

- You can benefit from using the Account Plan as a structured communication tool within your account team.

HINT

Actively incorporate the Account Plan into your regular communication (meetings, phone conferences...). This way it will stay up-to-date and all team members will quickly accept it as a tool.

- In addition to the actual account team, it is often necessary to inform other business areas or departments about the customer or the business status. Here, too, the Account Plan can be a very useful communication tool.

HINT

Once there is a universal template for the Account Plan used across the entire company, everyone knows where to find relevant information and how to interpret the Account Plan.

- Frequently so-called briefings are conducted prior to important meetings at the top management level. During this briefing, the company's top managers are informed about the customer and the current business environment. This is another ideal and time-saving opportunity for you to use the Account Plan in total or just parts of it.
- One person must not be overlooked in communication: the customer! Yes, you can actually use the Account Plan as an excel-

lent means of communication with your customer. Some customers even expect to see the Account Plan prepared by their suppliers. Excerpts from the Account Plan can help you to ask for information about the customer or to scrutinize the customer's view of your company.

Example:

You are preparing a SWOT analysis for the strategic annual talk. As a trade-off, your customer prepares a SWOT about your company. During the talk, both SWOT analyses will be presented and together you can work out constructive steps to stabilize the partnership.

HINT

As explained before, the Account Plan is much more than just a document that has to be prepared once a year and then disappears into a cabinet. Rather, it can be a very helpful tool in the day-to-day business of an account manager. Therefore: keep the Account Plan up to date and use it every time a department is making inquiries.

TRANSFER

How can you use the Account Plan in a versatile manner internally, but also externally with the customer? Only if you use the plan continuously will it stay up-to-date and offer you the greatest possible added value!

- as strategic instrument for budget planning and implementation
 - as communication instrument within the Key Account Team
 - as communication instrument outside the Key Account Team
 - as briefing instrument for meetings with top management
 - as basis for regular meetings with head of sales
 - during meetings with the customer to gather information in a structured way
 - in strategic talks with the customer
 - other areas:
-

3.2 Who prepares the Account Plan?

One of the big questions asked by participants of our trainings is: *‘Who should ideally prepare the plan and does the customer play an active role?’*

The following diagram illustrates some possibilities on who prepares the KAP. The lowest level is the possibility to forgo the Account Plan. We still frequently encounter this situation in consulting projects. If there

were any Account Plans in the company, they had been prepared individually and voluntarily by some key account managers working in a very structured manner.

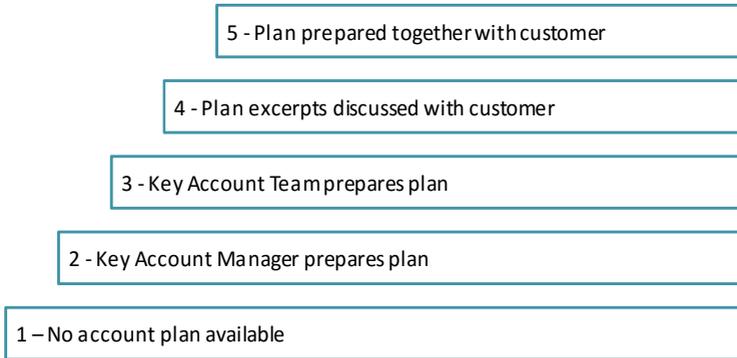


Figure 4: Account plan ladder

On the next step, a Key Account Plan will be prepared for important key customers by the company, and the question now is, who is best suited to work out this plan. Since the key account manager is responsible for the business relationship with his key customers, it is obvious he should prepare the plan. The account manager certainly has a lot of knowledge necessary for the plan but there is always one risk: The longer an account manager works with his customer, the better he thinks he knows the customer. Sometimes he may even think he knows the customer and his needs better than the customer knows himself; he becomes blind to reality, or as Pippi Longstocking puts it: ‘I paint the world the way I want it to be!’ Therefore, it is necessary to take the next step on the ladder and integrate the key account team actively into the plan preparation. It depends on the company, who should be part of this team. As a rule of thumb: Everyone who is in direct contact with the customer or can contribute something substantial should be part of the team.

Here are some examples:

- **Key Account Manager**
He is responsible and he is leading the preparation, while he is NOT dominating it with regards to content. In many projects it has proven to be useful to have the workshop for preparing the plan moderated by a neutral person.
- **Members of the sales team:**
Especially if a customer is serviced in several sales regions or by several national companies, a number of sales people from these regions are in close contact with the customer.
- **Back office**
People from the sales department often have very close and regular contact with the customer. Unfortunately, these sources of information are just as often not used when creating an Account Plan.
- **Head of service / Customer service**
- **Project manager**
Especially with complex project business, they are important team members.
- **Quality manager**
- **Product manager and employees from marketing**
Especially when new products are to be positioned, people from the product and marketing management can be very helpful.
- **Sales controlling**
They usually have an excellent overview of the figures worldwide.

The next step on the ladder involves the customers and can contain two quite different options. The Account Plan is a systematic tool, a checklist, to gain information and insights about the customer, his markets and his

requirements as well as competitors. What is better than using the customer as a source of information? Unfortunately, experience shows that account managers hardly do so. Take the opportunity to present parts of your Account Plan to your customer. Ask him: *‘Dear Customer, as you know our goal is to support you and your business in the best possible manner. Therefore, our company maintains an Account Plan and it is my job to make it come alive. While preparing the plan, I discovered that I am still lacking some information about your business. I would be delighted if we could go through the plan together.’*

You'll be surprised how willingly your customer wants to talk to you about HIS business!

HINT

Please don't take an empty Account Plan to the customer but fill in as much as you already know. This can lead to very interesting discussions and the customer gets the impression that you have already taken the time to look into the subject.

Another option on this level is to present only parts of the Account Plan to the customer. Typically, account managers address people at management level or from strategic procurement. It is amazing how interested customers are in these accounts plans. Listening to such presentations provides customers with a view from outside of their own company and organization. Some of my clients have recognized this and they are already using the Key Account Plan as an active sales tool with potential or new customers to open new doors.

The final step of the ladder certainly is top class. We have to note that this level can be put into practice only very rarely. At this level, the customer actively helps to prepare the plan. For this, top managers from both companies get together to establish business common goals, strategies and

implementation plans step by step. This already serves as an indicator that this level is not attainable in every business relationship. It requires a true ‘strategic partnership’ where both companies are willing to join in this partnership and approach the other partner. Please consult the book ‘Key Account Management’ by Hartmut Sieck for details.

TRANSFER

On what rung of the Account Plan ladder (see Figure 4: Account plan ladder) are you today?

1 2 3 4 5

What functions and people will you involve in the preparation of your Account Plan?

3.3 For what customers should an Account Plan be prepared?

To prepare an Account Plan and then implement the compiled objectives and strategies in a strategic way, doubtlessly requires a certain amount of resources. Thus every company needs to consider carefully, for which customers an Account Plan is an unavoidable must and for which it would equal using a sledgehammer to crack a nut.

To make it quite clear: **Every (key) account manager can create, implement and be responsible for one, two or even three Account Plans but no more!**

The following figure shows an initial approach. Hartmut Biesel, a consultant from Germany, used an illustration in his book ‘Key Account Management erfolgreich planen und umsetzen’ (How to successfully plan and implement Key Account Management) that will give you an idea when key account management will be the right approach and when to use major customer or traditional sales.

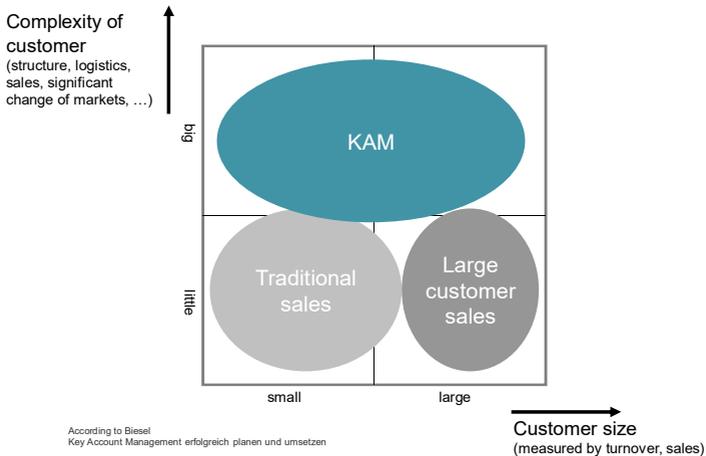


Figure 5: KAM and other sales approaches

In the area of classic Key Account Management (see figure), the Account Plan is a MUST HAVE. For the other two areas, excerpts of the plan can also be a useful as well; however, you should weigh carefully what elements of the plan to use at to what depth.

Some typical application examples:

- **(Potential) new customers**

You want to win a potential key customer for your company and for this you need an ‘attack plan’, a strategy how to reach this goal. A prerequisite, however, is once more a certain level of complexity, for example in the area of your product, your solutions, the customer or his decision making processes.

Example: You want to sell manufacturing equipment to an international customer like Daimler AG, and you are looking for a starting point.

- **Limited number of customers**

Let's stay with the automotive industry for a moment. Let's assume you are a supplier of axles for the automotive industry and you have just lost the business for the latest type by this important car manufacturer. Since the number of customers is limited, you have to stay with the customer to maneuver yourself into a successful position for the next type. Here, the Account Plan becomes a strategic sales instrument.

- **Important key customers**

When a few key accounts can make or break your company, the Account Plan will help you to recognize business risks in time and to open up new business potentials pro-actively.

- **Existing customers at risk**

Let's suppose you are the key account manager of a company offering services for the tourism industry. You already have a market share of approximately 100% with one key customer. A strong competitor is trying aggressively to get those market shares. The Key Account Plan can be a very useful tool to prepare a defensive business strategy.

- **Potential customers (cross and up-selling)**

The opposite to the above mentioned customers at risk are customers with business potential. Let us suppose you are selling control technology to your customer in Germany. Now you would like to supply your customer on a global basis to exploit the business potential in an optimal manner.

- **Complex customers**

As shown in the illustration at the beginning of the chapter, the Account Plan is especially helpful in the case of complex customers. Here are some examples:

- Customer is organized globally
- Buying decisions are made by international committees
- Market is presently undergoing massive changes
- Logistics requirements of the customer are complex and expensive

TRANSFER

For which customers do you want to create a business plan?
