AGN Global Business Voice: Business Alert

Key Account Management

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Business Alert: Key Account Management

The change that changed everything

Coming out of the pandemic, we repeatedly find that many things have altered, especially that many trends have accelerated. Often we talk here first about technology and our human capital within the business. But what about our customers? Most have been fantastic at accepting new ways of working and different forms of interaction. But they are of course operating in the same environment as our own businesses. So how have their future needs and desires evolved, and what are we doing to find out about it?

Clients with a potentially disproportionate impact on profit

Consider this: According to Bain & Co research, a 5% increase in customer retention rates increases account profitability by between 25% and 95%. Imagine the impact if this effect can be applied to your biggest, best and most lucrative clients – or more especially to those existing clients that have the potential to become the biggest, best and most lucrative.

When you consider that replacing the revenue from clients leaving your firm is eight times more costly than increasing revenue from current clients[1], it's not surprising that many large successful professional services firms take Key Account Management ("KAM") very seriously. They put considerable resources into the area, and The Big 4 firms have whole departments that focus on nothing else.

[1] Harvard Business Review

We've probably all got one

Of course, in an ideal world, we'd develop a client base with an even spread of valuable relationships and income streams, with no over-reliance on any one client or group of clients. But most often life isn't like that, and in many firms, the revenue is often split Pareto-like, with 80% of the revenue coming from some 20% of the clients. And even if you have a flat fee distribution – with all clients being equal – is it possible that some clients are more equal than others? In many cases, you'll likely have clients that have some of the following characteristics:

- They are a **"marquee brand"** – a highly prestigious name whose "halo effect" draws in other clients to your business.
- They are a **"foothold brand"** into a new market or sector that is of strategic importance to you, and especially if its a key growth opportunity
- They are **simply a business that is so large** that they could provide you with some valuable growth without them even knowing you're a supplier!

Assuming that your firm has at least one of these – or indeed the common 80/20 rule applies - the questions remain; how can I increase retention rates and drive up our "share of wallet" – that is the total budget clients spend on professional support? And importantly – how can I do both these things whilst also increasing the resilience of the relationship and reducing the risk as competitors look on with envious eyes or as changes occur in our own team?

Starting point

This is such a big area there are at least two industry bodies dedicated to the topic; AKAM (Association for Key Account Management) and the SAMA (Strategic Account Management Association) – both are great sources of information, but it's easy to get overwhelmed. The excellent AGN Guide to Key Account Management (available free to AGN members) is a good starting point on the topic. The AGN guide is practical and gets into operational changes required to support a KAM programme.

But there are some challenging paradigms to embrace here, which can be barriers to getting KAM off the ground.

Paradigm 1: A change of mindset

Strategic KAM is an activity that you conduct WITH the client - it's not something you do TO the client. The intent of the programme should be to create a collaborative partnership with the client, solving their issues and problems – not a master/servant arrangement focused around specific work tasks. If this partnership is effective, you won't so much be selling services to the client, as planning how you can work together to achieve mutual objectives – genuinely a win:win. This mutuality could involve anything from the alignment of systems and processes to joint management team meetings "off the clock", in either case, looking forward and investing in the relationship.

Paradigm 2: A client is not for life

We need to accept that even our most valuable clients will move on at some point and plan our business accordingly. Inevitably the client's needs will change and evolve, personnel and personalities will change, your objectives may fall out of alignment, or perhaps simply one party will decide it's time to refresh. Of course, the target is to keep the client for as long as it's profitable to do so and within an acceptable risk/reward and ethical framework, but your own business planning must risk-manage the effect of key account loss.

With this in mind, the KAM programme should be run as a sort of "football league" where the accounts are ranked in order of future value potential to the business. Reviewed regularly, it should not always be the same names at the top. Meanwhile, the foot of the table is the newly promoted and relegation zone – probably about 20% of the total number of key accounts. These are either accounts that have the potential to climb up the league, or problem key accounts that might need special care....or to be managed off the list.

Paradigm 3: Do the research, and get the feedback

It's absolutely critical to any successful KAM programme to run a thorough client feedback process. You HAVE to know how these clients are feeling about the relationship, and that means objectively, independently of the client service team. The data from independent client feedback should become a performance metric that is closely monitored, regularly reported and acted upon. AGN have a client satisfaction tool (available free to members) for this purpose.

Additionally, you should establish a 'Nursery' list of present clients that have the potential to be future key accounts. This requires desk research and a detailed understanding of your client base. It's just possible that somewhere tucked away in a corner of your 80% is some personal tax work for a Director of, a subsidiary of, or a major player in a key target sector for your firm.

Paradigm 4: Breaking down barriers

Unlike some aspects of client service, KAM can't exist in isolation – it really is a discipline that does genuinely require the engagement of the whole organisation. The Key Account Manager must have the ability to call on all of the firm's resources to prioritise issues and opportunities that surround the KA – and functional managers must respond willingly and with gusto to these requests for support.

This will require considerable change management and leadership skills – as a leader, this requires you to ferment and build dissatisfaction with the existing situation. Managers must agree "something needs to change!", but then be ready to share your vision of a benign KAM function, where all managers and staff from all functional and operational areas are prepared to go the extra mile to support Key Accounts as they are the 'future of the business'. In true change leaderships style, it's at this point you then encourage these same managers and staff to design the solution – thus obtaining practical ideas on how they can help, and of course, their emotional and intellectual commitment.

Paradigm 5: Set the right metrics and reward the right skills

What gets measured gets managed. If you have tasked your key account managers to build long-term relationships with their customers, think about rewards that focus on the lifetime value of their client (the customer bottom line), not top-line short term revenues. 'Client Improvement' is the key metric – what have you done to increase the client's margins? The client's revenue growth? Penetrate of new markets? Keep key staff? It is summed up by Albert Einstein, who quoted. "Strive not to be a success, but rather to be of value."

Also consider the skills that should be built, rewarded and recognised. It's an interesting prism with which to view a KAM initiative as it may change your view of who should be your Key Account Managers.

Normal client account tasks	Key Account tasks
Service and technical knowledge	Strategic planning
Presentation skills	Broader business understanding
Negotiation skills	Project management and team leadership
Self-organisation and time management	Strategic influencing
Billing efficiency	Innovation & creativity
Time recovery	Coordination

In Conclusion

Don't forget that your Key Accounts deserve most of your attention because they represent the biggest life-time value for your firm. It's also the case that their contribution to firm profits is way in excess of any other single group, sector or service line or partner. In terms of business development, they are the "low hanging fruit", they are the incumbent, easy to access pool of revenue and profit. Growing these accounts is the cheapest and most efficient route to the future success of your business.

For further practical guidance on this important area please download the AGN Guide to Key Account Management available on My AGN. If you would like further support on any of the matters raised here contact your AGN Regional Director.

Sources

Bain & Co
AKAM
SAMA
Key Account Management (3rd edition) – Peter Cheverton
Harvard Business Review

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