

Introduction

CHAPTER – I

Introduction and Conceptual background

Chapter 1: Introduction and Conceptual background

-1.1 Prelude -

In any business, Relationship with all the stakeholders is very important including that with the customers. Relationship is very important for businesses to survive and grow. For this survival and growth, continuity in sales of products or services is very essential. Even to build good products or services, there is a need of good relationships with company's suppliers since they supply of components, raw material or services of good quality and at good and affordable price which is essential for all businesses in competitive market place.

To sell their products, the companies need close acquaintance with their customers. It is said that human are complex emotional beings. Keeping good relations with suppliers, customers, their employees and everyone who come across in business dealings is important. Research shows that even if the companies have the best products and best of the services in their portfolio, they still stand in the need of strong relationships with customers to prosper in the competitive market place.

For all the customer-centric businesses *Long-term associations* with customers is very paramount for progress. The costs of acquiring new customers is increasing and finding good business partners is difficult and hence maintaining these associations is a prime necessity to business's advancement. Honesty, Trust, fairness and respect in the relations with your business partners, customers and all the stake holders gives a strong and sustainable footing to the business.

Honesty and Truth:

Honesty and truth are the main two pillars for widening long-term relations in business. The acts of dishonesty spread very fast, when employees, customers and business partners propagate word rapidly. Along with telling the truth in the business, nurturing kinship, openly disclosing specific observations, sharing required financial statements and other data useful to your stakeholders is very productive for long-term progress. Even one lie, failure, dishonest act is enough to spoil or mutilate any type of business affiliations.

Fairness:

Fairness in business refers to the value of *treating people with a standard of performance* that is consistent and equal, based on your commitments. It is important to give fair returns to customers for their price. Its scope reaches to providing fair and equal work environment to employee along with deserving opportunities and benefits. Business community, stakeholders and business partners must be treated with high level of fairness, with the same level of fairness companies expect from them. Fairness is a substantially participating component in building Customer rapport. The customers reciprocate this with respecting their suppliers.

Respect:

Respect in business relationships essentially means *acknowledging the needs and feelings* of those involved with your business. With true respect, paying attention to employee, customer and all stake holders need is important for every organization. In his January 2011 Inc.com article, "How to Build Better Business Relationships" Darren Dahl shares an example of a business person surprised to find a supplier unwilling to help him when he calls for a favor after going a long period with no contact. Customers will surely help you when you are in need if you show interest care and concern in business relationship with them.

The most effective way to grow your business is to enrich and mold strong association with your clients. When you reinforce firm intimacy, clients are more likely to refer you to their associates. There are a number of steps you can take to construct solid, dependable togetherness that can ensure your continued accomplishments. This needs structured planning and systematic execution.

Underestimating the significance of business relationships means to underestimate the importance of strong footing and base in a building. This attitude will lead your business to sluggish and then eventually collapse and break down.

1.2 Customer Relationship models in Business

a. Relationships Create Loyalty

If you want to reshape your company from a ‘Just another supplier’ or a ‘me too’ company to a brand that can be trusted and respected, strong Relationship is essential. This is important for number of reasons. Loyalty has lot of significance in every business. It helps to get long term business association of the customer. Loyal customers support in ‘Ups’ and even ‘Downs’ situations of suppliers which are very common in competitive and complex business environment. Shaping up of Loyalty is a long term process and needs honest and strong efforts.

b. Relationships Create an Image

In the competitive world, companies having good image gets lot of edge over their competitors. It takes long time for any company to build positive image and there are many parameters need to focus for assembling this image. Relationship obviously has an enormous role to play. Good business engagements and interactions throughout and across the customers divisions will create a deep rooted and credible image.

c. Relationships Create Great Word-of-Mouth

Displeasures of the companies from their suppliers spread very fast but these companies will also be pleased to share their good experience and their trust in good suppliers they truly believe in. In today’s business world, word of mouth plays important role in making good references. That’s why it is paramount that companies craft relationships of trust and respect with their customer as a powerful business strategy. This can also apply to your close links with other businesses as well. *The Globe and Mail*’s “Ten Ways to Build Rock Solid Relationships with Customers” proposes the “any friend of yours is a friend of mine approach,” stating that creating strategic partnerships and alliances with other businesses can lead to both partners receiving valuable referrals.

d. Relationships Create a Good ‘Team’

It is equally or more important to nurture good close relationship within the organization like having strong relationship with customers, which builds a TEAM approach. By developing sustainable working alliance with and within employees

and creating an atmosphere and culture conducive to developing a strong sense of teamwork, organizations will be able to enhance morale, productivity, and job satisfaction. This will give means to companies to attract and maintain key talents in their organization.

1.3 Ever Changing Business Dynamics

The dynamics, complexity and competition in the business is undergoing continuous changes. Other than the direct competition there are ‘change factors’ which affect the business constantly. This is given in PESTLE analysis

P- Political Changes

T – Technological Changes

E- Economic Changes

L - Legal Changes

S- Social Changes

E – Environmental Changes

To face the competition in the complex business environment and then to expand the activities, is always a rock hard challenge for all the organizations. This growth will not come unless the company is able to sell increasingly more to various customers and set the top and bottom lines higher. In reality, everywhere in the world the investors invest their money in these companies to secure better returns. To bring about better results these, companies need to thrive, deliver over and above profitable and sustainable growth as well.

When it was clear that it is the ‘Customer’ who will make you work and multiply, various methods and techniques of classification, analysis, projecting businesses were introduced by many scholars. The deep analysis of competition was a very routine exercise then. To grow every company needs to compete tooth and nail. This competition is faced every time of transaction and to avoid such situations, lot of companies started looking at long-spared business association and Relationships with the most valuable customers. They started working on blue prints and tactics which will lead them into a status of preferred supplier. For that matter of fact, some of the customers also started responding to these initiatives of their suppliers positively, since there are many mutual benefits to this interconnection.

There are many large international companies who have global and international operations. In their business, they have customers who are present in various

countries. If they want to build the customer homogeneity then most of the hurdles expressed in the PESTLE analysis will have a strong presence. The companies need to craft their game plans accordingly, to suit International and even the local ways of doing businesses. In every business, having good relationships means a lot. If you're struggling with every business transaction, then even your vendors will also stop supporting you. For a Robust working attachment between suppliers and customers, trust conference and transparency from both sides are required and also require convincing drive from suppliers.

Today's companies are doing everything possible to retain customers. This is because that the cost of acquiring a new customer is much higher than maintaining a current customer satisfied. Creating strong customer loyalty is the true base of relationship building. It is the fundamental philosophy of doing business in a highly competitive, and aggressive market with strategic orientation, emphasizing on close alliances with existing key customers to establish into lifetime customers.

Successful business development programs need ability of Masterminding impactful strategies to look after your most important accounts. The participation of the sales team in setting up and fostering these tie-ups is conclusively vital. The sales environment is rapidly changing. To face Elongated selling cycles, complex propositions, high value sales, multi-location customers, new, innovative and novel ways of doing business are necessary. It is the customer relationship strategy of companies, which differentiate their product and service by value-added elements.

1.4 Bargaining Powers at the market place

Porter's model was very popular about stating the competition and the bargaining power of the company

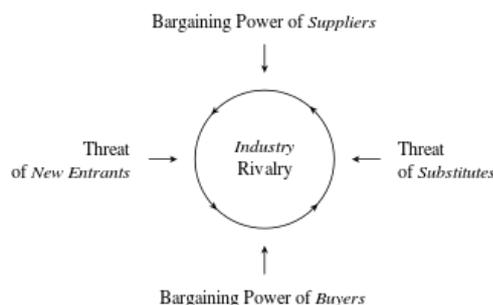


Chart 1.1 Porter's five determinants of Industry Profitability from Porter {1980}

Porter demonstrated that there are five main determinants need to get better off by all those companies who want to expand. Competition is at the center because it is all the time dynamic and changing. The competitors cannot be misjudged since they too enter into the market with superior planning and spread work. The new entrants in the business will further try to put forward more technical benefits to the customer, coupled with commercial advantages.

In the due course, the companies started making analysis of their customers in a neat and systematic manner. They realized that there are some customers who are exceptional and big ones. They together contribute a lot to the company's total business. The businesses thought that they must not lose these significant customers at any point of time. The analysis further revealed that there are few other clients who hold very 'high potential' for future business. If businesses need to meet their future business targets, they must have such 'high potential' clients as their valuable customers.

After making such classification and analysis, the companies started taking extra care of these few customers even though these customers started demanding more all the time. Instead of just leaving on sales statistics, these suppliers started Pro Active approach to build business with them with some distinctive gestures, unique business offerings and precise understanding. This is because these companies understood that these are the customers, who will take them where they want to go in the future. To treat these customers differently and more that, the customers accept this differential treatment, kinship development became very crucial. Companies then started making separate, specialized and dedicated efforts to build these closeness with their customers. Relationship was then the new focus area in the businesses.

Faced with unprecedented level of competition, continual technological upgradations and other ongoing changes in the market, many companies started forming strategic alliances with high ranking customers to bring Stability in their Sales operations. These alliances were based on Relationship blue print. After identifying the customers of Importance, these companies initiated the differentiated treatment which was later termed as Key Account Management {KAM}.

KAM initiatives and drives need lot of investments in terms of manpower, time, funds and other supplementary resources. After doing all this, it takes substantial time to get

established and additional time is required to begin receiving payouts. Therefore measuring the effectiveness of KAM practices time to time is very critical. The companies who have invested in KAM employ various monitoring practices to know it's effectiveness at each stage. The monitoring will have an advantage in terms of taking corrective actions whenever and wherever deviations are diagnosed in reference to the original plan.

1.5 Introduction of key Account Management

Key account management is a well-planned and strategically based business approach with well-defined and straightforward objectives of ensuring long-term and sustainable business development through mutually beneficial and profitable partnerships with high-priority customers. It is not an isolated or standalone business process. It is a high ranking and integrative element of the complete long term business strategy. It is much more than only selling products to big customers. It is dealing with those valuable customers who play a strategic in the development of the suppliers. It is a professional sales approach where in the supplier and clients work together with trust and confidence, to understand of each other's business to achieve common goals. But usually initiated by the suppliers to ensure smooth and growth directed business from a potential and selected customer. KAM is not just a common Buyer-Seller relationship. Companies involve people from all divisions of their organization and work together with customers business to look for effective ways of doing business. This will eventually forge rewarding and meaningful relationships with trust, faith and confidence.

KAM helps companies to better understand their client's business, suggests innovative ways of doing business and build dependable business relationships. This makes it hard for their competitors to sell their products to these blue key customers. It refers to the coordination of sales, marketing and planning efforts between a business and its most important clients. Its fundamental objective is to achieve a deep understanding of the business of the organization's most valuable customers. It is a set of strategies adopted by firms wherein, the company identifies its key accounts {top level customers who form substantial part of company's sales/business} & provides value-added services to the key-account portfolio. The objective of this approach is to intensify rapport with these stand-out customers to nurture the business.

Key Accounts are the customers in which customers will invest in their resources and expect good returns in terms of business. KAM is an adopted, focused and guided initiative for the supplier. The key accounts are intentionally “created” by the supplier and are looked after differently. Looking after differently means a distinguishing form other customers in offering extra attention. To be precise, it means beginning of a new expedition and its alignment into the existing structure of the organization.

Three basic purposes of KAM

- 1) It is the well-defined and supervised uninterrupted process to ‘Manage the future’ of the business.
- 2) It is aimed to get the Competitive Advantage while expanding business.
- 3) It is focused in erecting far reaching and sustainable Relationships with few and most valuable customers.

Key account ranges from big, small, special and indifferent that are perceived to be moving in a direction that is important to the business of the supplier. It is an approach which includes developing continuing association with customers who matter the most and whose needs you understand in depth, and for whom you improvise special offers with a differential advantage over the offers of competitors. Quote taken from McDonald, Millman, Rogers 1996

All the companies know that their principle assets are nothing but their front-paged customers. Leaving out these customers there is no existence for the company. The satisfied and loyal customers will buy, multiply the buying and comeback again. The Good feeling they get from Purchases, solutions provided by the suppliers are very worthwhile for repeating the business with the same suppliers.

It is significant to know what the customer is looking for basic attributes

- Substantiated value
- Total solutions
- Outsourcing whatever possible

KAM masterminds an exceptional affinity inside the both the seller and buyer organizations for mutual benefit. The desired affiliation takes time, effort and money to develop, hence very important to select customers scientifically. If managed right, KAM Offer significant business options and save costs for both. It is a systematic

activity to linking, managing and growing a set of the company's most valuable customers to maximize mutual value and achieve mutually beneficial goals

KAM involves recognizing and getting to know their key customer and their business requirements so companies can service them to sustain and grow their business along with their own business as well. It needs extra focus on most valuable customers, with differentiated products, services and support. Companies can then build a loyal and preferred customer who views their business success as a contributory factor to their own. In an efficient KAM there is a less threat from competitors and better cost savings. Also there is less marketing and promotion expenditure than required for developing new customers. .

When KAM is decided to be introduced following are the main business areas which must be taken into consideration by any company

- This will need extra and continuous efforts to enhance Relationship which is very paramount.
- The understanding of business of and with the customer is foremost.
- It is a future activity with everlasting perspective. Good planning is fundamental.
- The actions and responses to customer must be in time. A system is required.
- Other than sales and marketing other divisions must be involved with customers for better support.
- Need to study and analyze competitor's activities and movements
- The commitments given to customers must be delivered .This is essence of KAM

When KAM is in actions, for the customer the supplier company is not just a product seller but an organization which provides solutions and enjoys the trust. If looked positively, it also facilitates productive relationships and team work within the supplier's organizations. The key customers keep demanding from beginning to end. They insist exclusive products to meet their applications, preferred services, customized solutions, specific agreements etc. These demands often creates complexities within the supplier's management since these demands are not usual. To deliver to these demand the company needs good relations and team work in all the

concerned departments. Handling such key customers to make the KAM effective, will make a better team within as well.

An important role of key account manager is to have overall control on KA's. They strive to frame robust attachments with valuable accounts so that customers truly depend on their suppliers. As an example, key account managers may suggest that their company ropes in new order processing protocol and holds dedicated inventory to serve key accounts better. They may also advocate customized products tailored to individual customers' needs or set up collaborative action plans to help major customers reduce costs of doing business.

The objective of controlling is to make these initiatives more effective. There are many parameters of measuring effectiveness and every company will prioritize these parameters as per their business plans. It is a growing initiative. As the company grows it will have more KAM team members and more key accounts. This calls for its effectiveness as every stage so that it is a meaningful in totality as well. Companies who operate in many countries {MNC's, JVC's} usually have these practices well established and they commonly have multi locational key accounts to manage.

These initiatives begin by discovering the most important clients of an organization. Customer-Focused units within the company focus entirely on these top and most valuable accounts. These units are key account management teams. Unlike traditional account managers that focus solely on sales, key account team members act as game planners using relationship management skills to offer added value to these most favorable clients

1.6 KAM History and Development

The concept of KAM is more than 40 years old. In these years it has become increasingly professionalize with global presence. Since the companies started facing competition in the market due to new entrants and technological changes, need of strategic alliance with important customer was realized. It was more looked as seller's initiatives to get competitive advantages and to bring stability in their business operations. Due to these challenges in the market, companies started evaluating alternatives in ways of selling their products to limited and supreme customers. In practice to address these strenuous situations, few companies started assigning one salesperson the responsibility of managing and developing limited number of

important customers. It was later noted that these sales persons are doing extra addition than selling the products. Their scope was largely extended than sales and include participation in supplies, inventory management, coordination and more importantly sprouting the relations. These early attempts to work differently to serve limited and important customers proved to be advantageous.

These attempts then started evolution of special or dedicated sales organizations. Two approaches evolved later. First sales driven approach and the other marketing driven {Grooming relation} approach. Sales driven approach was basically aimed at more sales and more profits. It was more on transaction oriented means with short term focus. Intimacy based approach was looking at customer as a long-term prospect and was with long term objectives.

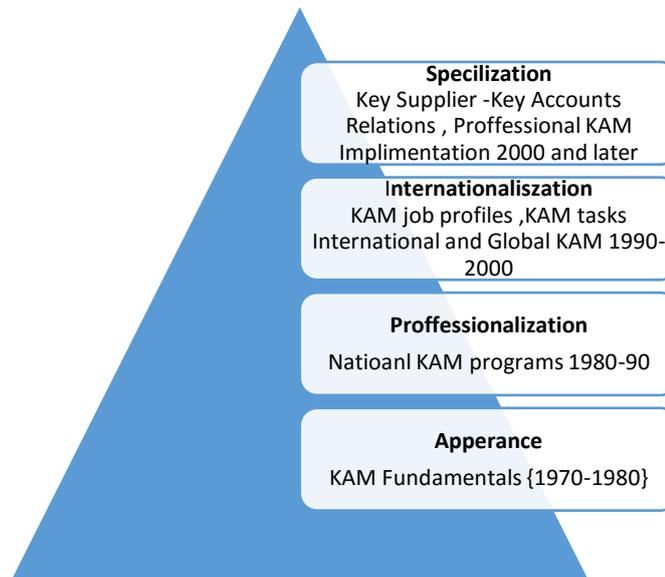


Chart 1.2: Pyramid showing the development of KAM practices over the years

KAM in 1970's

Key accounts or strategic accounts are the most valuable and desirable customers for an organization. Without a deep rooted approach, the elementary aspect of handling relationship is often neglected This realization started getting importance in 1970's in United states about 250 large companies stared using National Kay Account Management {NKAM}for customers operating countrywide. It is mentioned that the professional and talented sales people always treated their most important customers in a distinctive manner. This approach was based on common sense, intuitions, experience and talent. These practices provided lever for the subject and many

attempted to make it a usable practice. Pegram put forward this idea when he interviewed 250 managers from industrial and service companies in 1972. He studied how it can be a part time or full time profession depending on the sales role. He then provided clues for implementation of these initiatives after his research work .At the same period KAM concept came to Europe. Kemna in 1979 worked on this concept in Germany in handling large National customers individually. He presented the first comprehensive concept of KAM in functional and organizational aspects.

KAM in 1980's

By 1980 KAM was approaching towards professionalism. Many companies started practicing and advantages of these practices started realizing by many researches. Ford {1980} , Stevenson { 1981} Cunningham and Turnbull { 1982} studied the KAM with respect to customer relations and scope of implementation. Ford dealt with the origin of Buyer- Seller relationships and derived the requirements of sellers Researchers such as Platzer { 1984} and Hermann {1989} came up with profiles of National key account managers. Shapiro and Moriety { 1984}, Colleti and Turbity {1987} studied the reporting levels, time usage , remunerations and core abilities required for Key Account Managers.

Stevenson was one of the first to define account Management. He advocated allotting important resources to serve important customers. His research focuses on making the resources available on one side and then having specialist sales team on the other side. He also mentioned ideas for price reduction, inventory management and special services for these customers

Shapiro and Moriety {1982} stated the basic purpose of accounts management as building your profitability from the existing and future customers.

KAM after 1990's

After 1990 many companies reacted to the requirements of their customers using KAM at international level. Many terminologies like International Key Account Management, worldwide account management were introduced and discussed.

Various Empirical studies were conducted {example Verra 1994, Yip and Madsen 1996 Yip and Villalonga 1999} and these researchers developed various strategies to

deal with key accounts. 1990's saw many international publications on various aspects of KAM.

In 1994 Verra introduced a comprehensive study of International KAM. He studied the specifics and presented solutions to the challenges of companies. Many researchers presented that even though the International Key account management operates at Global level, the basic approach remains same as that of Local KAM. Some specific challenges were introduced like Cultural diversity, geographical challenges, need of increase coordination, specific communication etc. Mullner and Zupancic 2001 , Milman and Wilson 1999, are few of the researchers to present these concepts. The international KAM was then related to Global account management. Yip and Medsen {1996} described the key factors of GAM along with the functional and organizational measure, strategies and their implementations for GAM

Yip and Medson in 1996 came with concept of GAM – Global account management. Wilson 1999 identified culture diversity, cultural differences and complexity as an important challenging aspect.

KAM after year 2000

The focus began on Specializing and bringing perfection and preciseness in these practices, in this era of development. The hard task initially was to develop the framework to demonstrate how the elements of KAM can be implemented in practice. Researchers developed various models and programs which can be put in practice in competitive business environment. Many professionals and organizations started offering knowledge on KAM to those who were interested in scientific implementation. Various important aspects of KAM like bargaining power of suppliers, identifying and selecting key accounts , developing operating level capabilities, build, maintain and grow profitable and long term relationship with customers were researched further.

Implementation techniques, monitoring, measuring effectiveness etc. became important points of reference in KAM. Its scope increased to international level key customers, from Local or national level. Involvement of senior management, having dedicated team while implementing, training and development of KAM team were few concepts which became more predominant and visible. Researchers provided many new dimensions to such drives with stressing their usefulness. Monitoring the

progress, involvement of senior management, investments in execution, motivation and training to people involved in the actual operations, addition and deleting key accounts etc. started receiving attention from not by researchers but also from industries.

1.7 Development of KAM in theory and practice

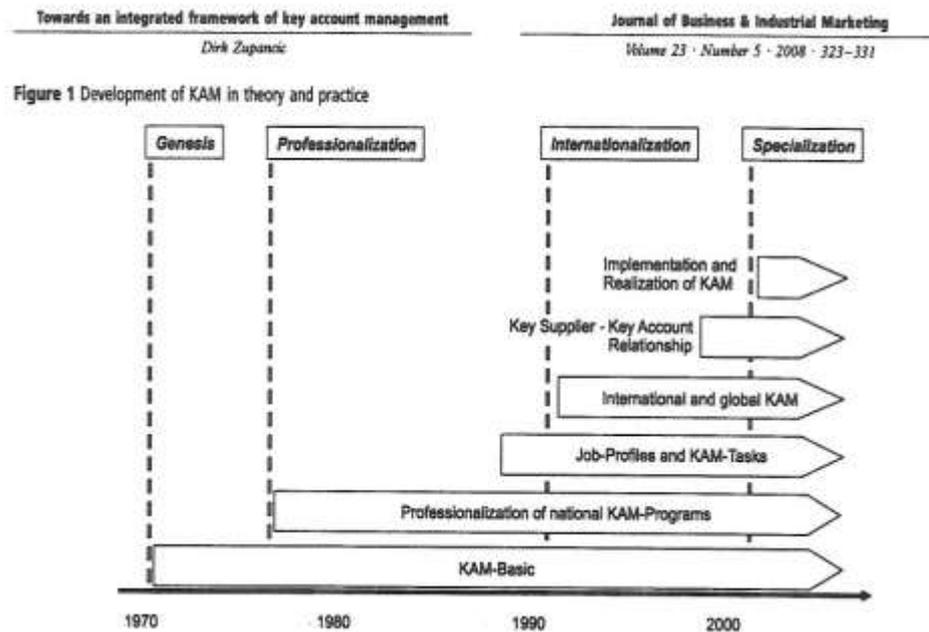


Chart 1.3 Development stages of KAM theory and practice

The above figure shows the stages of development and with reference to stages like Genesis, Professionalization, Institutionalisation and specialization over the period from 1970 onwards.

Ford 1980	Dwyer 1987	Lamming 1993	Wotruba 1991	Millman and Wilson 1994
Pre Relationship	Awareness	Traditional	provider	Pre KAM
Early stage	Exploration	Stress	Persuader	Early -KAM
Development stage	Expansion	Resolved	prospector	Mid-KAM
Long term stage	commitment	Partnership	problem solver	partnership KAM
Final stage	Institutionalization	Beyond partnership	procreator	Strategic Kam

Table 1.1 Comparison of Relationship models in reference to History and development of KAM

Today Key account management is at a much matured and evolved stage. It is oriented towards development of customer focus and relationship marketing in the present competitive business surrounding. It is expected to offer critical values, benefits and opportunities for profit enhancement to both sides i.e. seller and buyer. Because of ongoing research, its scope is widening and becoming more complex. The skills of professionals involved in it, at strategic and operational levels need to be constantly updated and refurbished. When companies decided to monitor these stages in its expansion, assessing the effectiveness became very indispensable. If it is forced to step up to next stage without being effective in the earlier stage, it will not be effective even at that stage. This fact needs to be taken into consideration.

Firstly there are lot of spending of funds for these practices on one side and lot of expectations of performance in terms of growth, profitability, restricting competition Etc. on the other side. Estimating productiveness thus becomes an essential part of these initiatives itself. The frequency and parameters of measuring effectiveness will depend on the business plans and may change with time and with changing situations in the business. These parameters will also change if companies start moving ahead of the curve of KAM relations development.

To get KAM operated at its full potential, there is a need to position it as a Core to Business. It also required developing Internal capabilities in terms of Investment, Knowledge, structure, system, correction and monitoring tools coupled with support from all the teams involved KAM helps maximizing the sales velocity. It teaches the need to improve the sales resources and makes us understand importance of managing few important accounts. These practices also facilitates improvement in common business parameters like Average deal size or the wallet share with focused customers. At times it helps to minimize the price erosion , builds customer loyalty, drives down the overall cost of sales and all this to build 'Partnership Value' with the customer .

The table makes comparison of Traditional focus and Focus on today's KAM which represents the history and development.

Transaction Focus	Relation Focus
Single sales	Life time value for customer
Focus on product features	Focus on customer satisfaction
Tactical promotion Campaign	Strategic Marketing
Short term Reward structure	Varied reward structure
Connects with customers only during sales	Continuous contacts for Relation building
Limited points of contacts offered to customers	Wide range of contacts including senior management officials involvement
Sales persons guards his access to customers	Team approach
Limited commitment	Extensive commitments
Quality is monitored by QC department	Full team works on quality aspects

Table 1.2 Source: Adapted from: Malcolm MacDonald; Beth Rogers; Diana Woodburn, "Key Customers: How to manage them profitably" Butterworth Heinemann (2000)

1.8 Key Account Management –Customer Relationship: Stages and Development

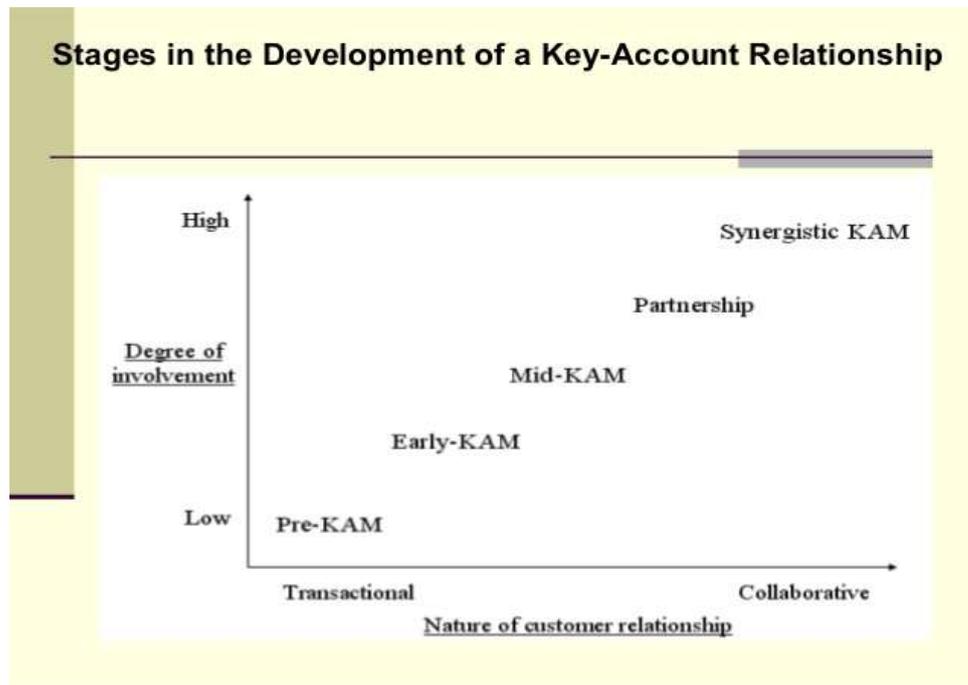


Chart 1.4: Key account Relationship Development Model {from a model developed by Professor Tony Millman and Dr. Kevin Wilson in 1994.

This Model was first developed by Professor Tony Millman and Dr Kevin Wilson in 1994. It was further researched and developed at Cranfield University School of Management by Professor Malcolm McDonald, Tony Milman and Beth Rogers. Their findings were published in a Research Report 'Key Account Management: Learning from Supplier and customer Perspective in 1996. It says that all the KAM practicing companies should intent to reach the Synergetic KAM stage

Following Points are important to note here

- The Progress and development needs organized efforts and professional Management. It does not happen of its own.
- It takes time to see the results possibly years and not few months.
- First and foremost the Development and Progress in KAM needs mutual intent both from supplier and customer. This can't be just forced on the customer.
- Before proceeding to the next stage, both the customer and supplier must be satisfied with the headway of the earlier stage.

Few and Important Characteristics at PRE- KAM Stage of Relationship

- Beginning and simple one to one contact established.
- Suppliers communication focuses on own issues, matters of concerns.
- Response to customers enquiries is yes / No. This is depending on the supplier's capabilities, infrastructure and customers' needs / demands.
- The selling company assessing and judging the potential for Volumes and profitability. It means supplier is studying the 'Customer attractiveness'.
- From customer's side, seeking evidence on competence, competitiveness, reliability and all this with commercial dimensions including the pricing, is a priority.
- Customer will need demonstrations, trails etc. at suppliers cost.

Few and Important Characteristics at EARLY- KAM Stage of Relationship

- The relation is competitive and both are trying to get an edge over and advantage.
- Buyer will make attempts to gain access to other contacts from supplier.
- Price discussions are dominated at this stage.

- The buyer focuses on costs while supplier focuses on higher and increased volume.
- More discussions and sometimes confrontations on Performance Criteria.
- Customer still looking for alternatives.

Few and Important Characteristics at MID- KAM stage of Relationship

- The principle contacts begins to involve other contacts through mutual desire to have better understanding of process and markets.
- More time is spent in meetings and joint discussions.
- More focus on structured communication, reporting preparing MOM's etc.
- The trust and openness in getting built.
- Need lot of work from both to move ahead in the curve.
- Links are developing but still majority communication through the sales person and the buyer.

Few and Important Characteristics at PARTENERSHIP- KAM stage of Relationship

- Key supplier status is achieved.
- Trust based relations are established.
- Sharing of data and information takes place.
- Price stability is achieved.
- Both focuses on further improvement in products and services.
- Vendor rating process or supplier's performance measurement exercise takes place.
- The Key Account Manager role is more importantly as Coordinator and facilitator to get concerned persons from both the side together for specific business matters.
- Customer's satisfaction is now by entire supplier's organization.
- Improvement in supply chain management.

Few and Important Characteristics at SYNERGISTIC- KAM stage of Relationship

- Joint Research and Development.
- Costing, pricing, margins more transparent.

- Innovation is moving ahead.
- Shared communication.
- Shared training.
- Sharing of resources – Including people.
- Team work from both side.
- High level of trust and confidence in each other.
- High level management involvement is visible.
- Collaborative approach.

Source: McDonald, Millman and Rogers {1996}

KAM directs Customer centric approach as an important part of any successful business. This has to be integrated into the culture of the business, not bolted on. Sometimes organizations have to rewind the clock and try to recall the basic aims and objectives the business started with. Very often the current management redefines the plans they want to deliver for their customers and ways to differentiate them from the competition.

1.9 KAM and Customer Relationship Management

KAM and Relationship go hand in hand and Relationship is its essence. The company who initiates these practices have to work very watchfully on forming a robust footing of relationships for bringing out its effectiveness. These relationships has following stages.

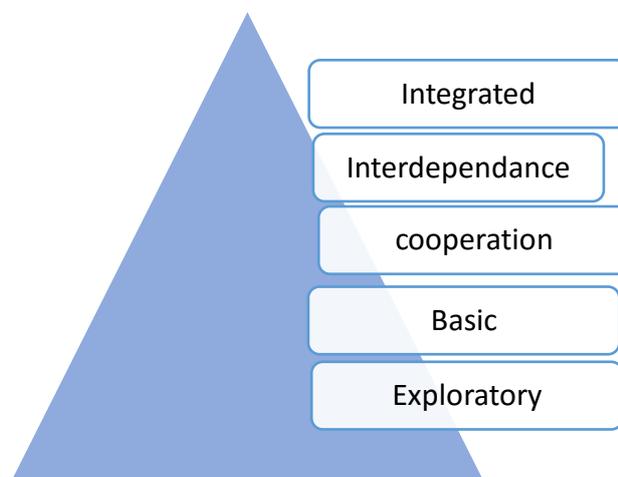


Chart 1.5: KAM and Customer relationship model

Stage 1 Exploratory: Here the company explores the possibility of initiation transactions with intention of long term relationships.

Stage 2: Basic: Here there is a beginning. New customer is acquired and few transactions completed. Both suppliers and customers starts knowing each other. Customer knows well about competence of supplier.

Stage 3: Cooperation: Few more transactions and repeat orders. Cooperation increases and better exchange of information and actions for pricing, terms of business, logistics. Both cooperate for few more successful transactions.

Stage 4: Interdependence: Trust and confidence is built for better Relationships. Better collaborations and dependence on each other for mutual benefits. Trust is built and relations improve along with stability in transactions.

Stage 5. Integrated: Long term relationship exists. Both use their potentials of business and share. There is an integration of selling and buying process. There is a stability and standardization in commercial terms and systems of supplies. Both parties will invest in resources for better and smooth business transactions in future. There is a full trust and also confidentiality. Usually senior management is also connected and involved. Barriers to switching are developed.

KAM has changed its reference as it improvised in its implementation over the years. Many experts who studied this concept in the initial years always advocated the fact that it is a narrow focused activity which the companies need to put on their business map and is not an elongation of sales procedures. So, is this Sales Driven only to manage all the sales related activities of large or important customer? It goes much beyond the sales procedures even though higher sales and profitability is one of the prime objective in the long run. It was then thought as an initiative which is Marketing Driven. It aims at building relationships, building image of the company, value creations in the offerings, securing competitive advantages, becoming preferred supplier etc. All these parameters are firm expectations of the companies who introduce this initiative.

At this moment KAM goes much beyond these concepts. It is now a well-designed plan of actions which is positioned with lot of homework. In its expansion curve, there are stages known as cooperative and synergy. At these stages the 'Relationships'

and 'offerings' operate at very Matured Stage. Various constituents of business like competitive advantage, stability, standardization of transactions, commercial offerings and responses etc. are now pre decided and later presented for deriving mutual benefits. Many complicated business issues are mutually solved. KAM is not a transaction based focus area like a deal. It is a spared out process to frame long haul togetherness with the customers having adequate of business. It is tracked for its effectiveness periodically and remedial steps are taken. Both the sides share their true expectations, apprehensions, limitations, range of operations, pricing and costings, consumption etc. about the products and services, which are under transactions. Presently KAM has reached at a stage which is well developed and sophisticated. A multiple of companies have successfully built the relationship to the extent of having status of preferred supplier or even to having confidentiality agreements with their customers. They also participate in Research and development of the customer's product assuring the utmost confidentiality.

It was in 1970's the need of handling big customers separately was felt and more in the US companies this handling separately was initiated. The following are the important reasons why such need was felt

- Increased no of buying companies due to overall Growth of Industries.
- Increased no of competitors resulting into competition is becoming stiffer and hard rock.
- Increased pressure on quality and cost reduction to become more competitive.
- Buying procedures were becoming more and more complicated especially for large customers.
- Desire to develop relationship with these large customers for acquiring stability in the business.

The geographical spread of the customers was also a point under considerations. Many customers were very big with having multy-location operation not just in the same country but also in different countries as well. Uniformity of transactions was required to deal with such customer's different units. In such challenging business conditions, the suppliers realized and identified the gravity of having modernized initiatives to shape up and widen the association with the selected few customers to move with the time.

1.10 Significance of KAM

With Growing KAM the image of Sales has been professionally varying from transactional to Relationship based business development. There is need of new competencies and increased involvement with customers to achieve integrated approach to the profitable development of Individual customers of strategic importance to the suppliers. In today's business reality organization's 'Customer closeness' is the most accepted source of getting competitive edge. Widening productive business-to-business attachment with more customers in highly competitive markets call for processes and skills that go beyond conventional selling activity to make businesses.

1.11 Key Account Management and the 80/20 Rule:

Key Account Management (KAM) is based on a simple rule that 80 percent of an organization's business results come from 20 percent of its clients. The cause of this generalized pattern is multi-faceted, resulting from varying client size and proportion of sales and revenue. It is, in short, recognizes that not all accounts are the same and gives priority to those that are over and above important to the organization's overall interests. Similarly, if a client has an established or well-known brand name or image they may become key accounts as they generate interest from other intersections of the market.

1.12 Beyond Simply Sales:

Effective Key Account Management penetrates deep within both seller and buyer organizations, so it is undoubtedly intensely complex and strikingly difficult than simple sales activity. In the reality of today's businesses, the stakes are high, and powerful customers expect no less from their suppliers now, so these initiatives be well equipped and skilled to treat them as they deserve. Its effectiveness will enable the business organization to:

- Increase competitiveness and capabilities in managing strategic accounts.
- Grow skills to interact more effectively with existing and new key customers.
- Get deep-rooted understanding key customer for better long-term relationships.
- Use best practice planning template during the course to a key account of your choice.

- Gain a deep understanding of the flow and process of key account management
- Plan to focus time, expertise, competence, knowledge and attention appropriately in the development of relation and business of key accounts.

Crafting high-contact, high-involvement intimacy with the organization's most important clients can substantially flourish business and result in significant cost savings for both parties. In this way, KAM comes out with the concepts of flexibility, integration, and innovation into the account management process. Setting up a key account and casting the groundwork for a strong relationship, however, requires a significant amount of deep pocket resources and provision of funds. For this reason it is crucial that the selection and prioritization of key accounts is accurate and methodical.

In the reality it is a heavily researched field, primarily due to the undeniable competitive advantage it provides, when rolled out effectively. In order to create fruitful results, organizations must infuse well defined methodologies based on clear analysis and identification of the potential accounts to be prioritized. Well-ordered and structured training, up-to-date knowledge, best practices and relationship building techniques makes all the difference in terms of --

- Pin-pointing key accounts with priorities and measuring their performance.
- Elevating organization's understanding of the customer.
- Building up customer-centric approaches.
- Sketching and strategizing differentiated Pricing for each key accounts.
- Taking ahead connectivity of all the departments and specialized communication.
- Rebuilding Commercial and logistic strategies for key accounts.
- Incorporate Conflict management and negotiation related competencies.
- Re construct, internal as well as external selling role of the key account manager.

Traditionally, scope of business was defined as knowing how a company makes money. It referred to knowledge of the stimulators of growth, profitability, and cash flow of the company in the market and of the interrelationships within the business. Presently when we work with sales people to enlarge scope of business, we often revise this notion to promote the customer-facing nature of sales people.

In the present ever-changing, combative, demanding and complex environment, businesses are in the need of protecting, stabilizing, nourishing and growing their customer base more specific to their Key Accounts. To keep up and to be equipped for the ever-increasing demands, requirements and expectations of their customers Salespeople need to upgrade themselves. It is important for sales persons to expertise the basics and core of the professional selling techniques. Then they need to bring themselves further up by offering solutions to their key customers going beyond of selling just products and services. What it means is that as a progress from solutions selling, top-notch salespeople should then further ladder up to key account management. KAM is a methodical action plan of identifying, implementing and building key strategic accounts for a long haul with the strategic outlook of setting up long lasting partnerships based on long-term win-win profitable and dependable and trustworthy relationship between the best-selling companies and its major strategic customers.

Many professional organizations today are increasingly implementing KAM marketing, business development and customer service to ascertain key customer accounts that generate a significant proportion of revenue and extend them special unique attention and service. The main objective here is to maintain, service and build the key accounts. There are several other intents behind these initiatives like building finances, grow the customer relationships, improve market share, and build up operational efficiency and smoothness. However, it is an inexpensive plan of action and it is crucial that the organizations finalize the benchmarking criteria for selecting those customers or potential customers that will bring the best pay backs on investment for the well planned, focused, and dedicated efforts. In addition, key account managers different in their approach and initiatives when compared with sales persons. They as well possess higher levels of recognition, authority and status in their own organization and with the customer as well and in this way, they can provide the customer the best of the service it needs.

New Business opportunities are emerging in today's world of globalization and development of high technology products and innovative ways of making businesses in the market place. But, in most of the Businesses, these parameters make addition in present competition making it tough. To stay ahead in the cutting edge in order to gain or maintain one's market share different strategies are required. A number of new business development concepts getting evolved which are outlined to assist and help the businesses to remain operational in this immensely competitive environment. Customers are getting more knowledgeable and well organized. Strategic marketing is the need of the time for rolling out business plans and determining the assessable parameters of positive results. KAM and Customer Relationships are the top-tier segments of this strategic marketing. The divisions of marketing and KAM look into the marketplace to diagnosis the requirements of potential customers, the game-plan of the competitors, trends in the market. Later attempts are made to develop various plans of action that will empower the businesses to earn or sustain a competitive advantage in the changing marketplace.

1.13 Identifying key Customer Value:

In most of the businesses it is equally or more important to retain the customers than to identify and earn new customers as a business strategy. This is commonly done by focusing customers which bring about major proportion of the revenue for an organization or possess the prospect to do so., It is paramount to evaluate the spending pattern of the customer e.g. how much will be the spending with a business or brand. That gives an idea of the Value of the customer. A Diagnosis of key customer value should involve taking into consideration how deep, broad, thick and strong the customer's relationship is along with duration and also with the business or brand and the cost to acquire, maintain, and retain each customer. There are some customers whose business and reference are strategically important to the organization.. Although part of the philosophy of key account management is to build a portfolio of loyal key customers, an organization's key customers may change over time as other customers are acquired, the key customer's purchasing habits diminish, or the organization's strategic plan, target market, or offerings change. It should be remembered that it typically costs more money to acquire a new customer than it does

retain an existing customer, irrespective of customer is "key" and the decision to conclude any customer as not being "key" should be very precisely made.

1.14 Key Account Assignments:

After careful scanning and scrutiny, Key Accounts are determined. In the next course of action, they are assigned to marketing team members for pre-planned and focused emphasis with an objective of making improvements. These selected customers high grading in the organization and for sales persons hence typically are treated with premium service to have high level of customer satisfaction. Even though KAM is a part of the long drawn marketing and business development plan for most of the businesses, there is not a ready-reckoner for building relationship with Companies most valuable clients. It takes inexhaustible efforts to shape the relationship into a robust rapport with selected few customers of importance. Typically this may take few years from identifying the accounts precisely and then move through complete implementation to score their business potential

KAM gives following three distinct benefits in addition to what are mentioned above.

- It was observed that the companies who implement Key Account Management usually attract and retain better quality of professionals not just as a part of KAM team, but also for other sections like sales and marketing. This adds to stability of the organization.
- Key account is a systematic approach of doing business. The business reviews and analysis makes lot of improvements not in just making business with key accounts but it improves organizations total thinking and attitude for all customers.
- Third, many organizations using key account management found that costs were reduced in serving non-key accounts.
- It is a very encouraging observation for all the businesses who are implementing KAM or who are in the initial stage. The methodical implementation gives a certain discipline to the organization along with working with best possible perfection. This includes Cost Saving since KAM itself is an expensive proposition. It was found that their way of working methodically is reducing the costs for serving non-key accounts as well.