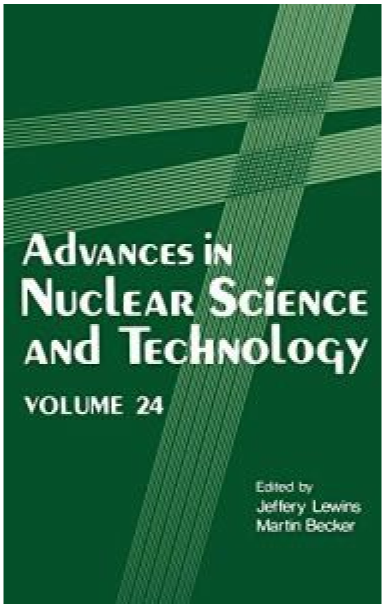

Book Selling to Major Accounts

Tools, Techniques and Practical Solutions

Terry R. Bacon, Ph.D.
AMACOM, 1999
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Recommendation

Why waste your precious sales resources trying to lure potential prospects when you can use strategic account management to focus on the few customers that are responsible for the bulk of your revenue? In this ultimate guide to strategic account management, Terry R. Bacon provides a variety of useful tools that you can use to assess and analyze your key customers and competitors as well as your own company. As you read it, you will find yourself classifying your strategic customers and recognizing their importance to your company. Then you can prioritize the service and attention you give them. Using the strategies in this book can help your firm build a long-term competitive advantage. *BooksInShort* recommends this book to CEOs, account managers, sales managers and salespeople who want to pump up revenues from existing sales efforts.

Take-Aways

- To use strategic account management, focus your efforts on the few customers that provide the majority of your revenue.
- With strategic account management, you can create superior customer responsiveness by providing outstanding support systems.
- Categorize customers as strategic accounts, normal accounts or prospects.
- Invest only 10% of your sales time on prospects.
- Devote 60% of your sales time to the 10% of your customers who provide most of your revenue.
- Your company’s sales force needs both "hunters" and "farmers," but remember farmers are superior when it comes to account

management.
- To analyze your customers, examine the strengths, weaknesses, opportunities and threats they face.
- Analyze your competitors by looking at the "Four Pillars of Position" (strength, strategy, staff, and support).
- Identify and attack vulnerabilities in any of your competitors' pillars.
- An analysis of your company conducted from the customer's point of view is an important part of account management.

Summary

Strategic Account Management

Strategic account management means focusing your sales effort on the customers who make up the bulk of your sales. A strategic account management approach to selling is very different from other common methods. Strategic account management is not the same as retail selling (selling to wholesalers and distributors and promoting through packaging and advertising), mass marketing (selling directly to customers through mail order or other mass medium) and sealed bidding (opening vendor bids publicly with the lowest bidder winning).

> "An account manager has two key roles: to act as a consultant to the customer and a strategist within his or her own company."

For a company to be able to use strategic account management certain conditions must apply. The company's products or services should be sold directly to other companies or purchasing entities, such as government offices. The qualified customer should have an ongoing need for the product or service. While price is always a consideration, the company needs buyers who are looking for added value and are willing to pay for it. You can provide this added value in the form of customized service, product modifications and specialized attention. Finally, the seller should have or be able to develop a continuous business relationship with the buyer based on establishing trust.

> "Strategic account management requires a significant investment of time, energy, and resources, so you must be selective in determining which accounts to manage strategically."

Even if all your customers meet these conditions, you can't use strategic account management with each one of them. Strategic account management is an expensive and difficult process that requires substantial investment and commitment. Therefore, only use it for major customers. Effectively employed, strategic account management is the way to create superior customer responsiveness by giving the customer outstanding support systems.

> "Gathering information on customer's perceptions of you is a useful reality check."

Strategic account management is more than selling; it is a philosophy of commitment to the customer. By providing extraordinary service and support, you will build relationships with key customers. This will help you develop loyal buyers who will share privileged information with you and it will give you access to key people in their organizations. When you manage your customers as strategic accounts, they will increase the amount of business they do with you. This style of account management can help you build entry barriers to protect your business by making it difficult for competitors to get a foothold with your strategically important customers.

> "The key customers that provide most of your revenue and profitability should be viewed as critical assets, and strategic account management is a means of investing your scarce sales and sales support resources in this most important of assets."

Another benefit of strategic account management is the "zippering" effect. Zippered relationships are close, peer-to-peer relationships at all levels of both organizations. This creates a bias toward your company at many levels within your customer's company and reduces the risk you face when any one key person leaves your customer's organization.

Identifying Strategic Accounts

Divide your customers into three categories, strategic accounts, normal accounts and prospects. Strategic accounts are critically important to your company's goals. They provide a large portion of your current revenue. Recovering from the loss of their business would be difficult. Generally, you will already have developed a long-term relationship with your strategic accounts. These accounts may make up only 10% of your customers and prospects, but at least 60% of your sales time should be devoted to them.

> "Good account managers invest the right resources, at the right time and in the right amount to build their key accounts most economically."

Individual normal accounts do not provide a major portion of your revenue, so losing any one of them would not be so damaging. Some turnover in these accounts is usual, but you can replace them through traditional sales methods. Normal accounts make up about 30% of your total customers and prospects, and should demand about 30% of your sales time. Your sales force should handle these customers routinely. However, be sure to reclassify them as strategic accounts if they develop more potential or start providing significant revenue.

> "Strategic account management should be a unified endeavor among all your organizational functions, and it requires the dedication and resources of many people in your company."

Prospects are customers who - while they are not currently buying from you - have a need for your products and services. They must have shown some level of interest in buying from you; otherwise, they are only possible prospects of uncertain potential. Some prospects may have significant potential, but are currently doing business with a competitor. Let your sales force track your prospects, and give them extra attention if they show extra potential. When a sale is made, the prospect becomes a normal account. Only devote 10% of your sales time to prospects. Many companies make the mistake of spending too much time on prospects, to the detriment of their strategic accounts. Their salespeople are hunting instead of farming.

Hunters and Farmers

Salespeople who are hunters get their satisfaction from tracking and bagging a big kill. The hunt is the most exciting part for them. They load their guns and search for the next big customer - the one even bigger than their last sale.

> "It may not be possible to form a strategic alliance with a customer, but you should strive, at a minimum, to become your customer's preferred supplier."

Salespeople who are farmers take a more methodical approach. Farmers work the soil, plant seeds and work to make things grow. They are happy to sustain good harvests year after year from the same forty acres. Farmers are better account managers. When hunters are looking for their next kill, farmers are busy working their territory. They are patient enough to make the necessary contacts to maintain and build the account. They hold the customer's hand when necessary. Farmers take care of the details that hunters are too impatient to deal with.

> "Providing extraordinary support to key customers creates a special bond, because customers cannot be certain of receiving such service elsewhere, and this keeps them coming back to you year after year."

Your sales force needs farmers and hunters. Just don't try to make a hunter do farming work. Hunters grab attention after closing spectacular sales. Management often mistakenly assumes these flashy salespeople should handle the biggest accounts. Your company will be better off if you allow your farmers to do the farming and you let your hunters keep hunting.

Account Planning

Account planning helps you analyze your competitive position with your key customers and helps you develop an account strategy that maximizes your business potential. As you develop your account plan, take a deep look at your customer's business and needs. Evaluate your competitive position with your customer. Estimate the potential of the account and your business volume for the next few years. Determine how trends in your customer's organization or industry could affect the customer's need for your product. Then, decide what actions you should take to increase the actual value you bring to your customer, as well as the customer's perception of your value. This is so important that you should carry through with the actions you identified even if you don't create an account plan. You can use an account plan as a guide, but actions will determine your company's success.

Analyzing Your Customers

When you begin the analysis stage of planning, you want to transform all the information you have gathered about your customer into a clear picture that illustrates the account's potential. This will help you develop the right strategies for building relationships. Focus on your customer's industry and markets, direction, structure and management, performance and need for your products so you can better identify and meet your customer's needs.

> "The account planning process helps you identify the conditions of the account when the plan was developed, but the situation in the marketplace is dynamic, so it's crucial that your plan be a guide and not a straitjacket."

To assemble this information, do a "SWOT" analysis, that is assess strengths, weaknesses, opportunities and threats. Use each piece of information about your customer to discover your customer's strengths, weaknesses and opportunities, as well as the threats the customer may face. Determine strength and weakness by looking at internal factors - cash flow, leadership, management, product quality and brand image. Look at external factors - marketplace changes, demand fluctuation, price pressures, competitor and government actions, and consumer behavior - to identify your customer's opportunities and threats.

Analyzing Your Competitors

Analyzing your competitors in business is just as necessary as analyzing your enemies in war. Sadly, most companies show very little knowledge of the competition in their account plans. Seek information about your competitor's current relationship with the customer. Discover their capabilities and resources. Identify their competitive strategies. Look at your competitor's strengths and weaknesses and examine customers' perceptions about them. Because it is more difficult to identify your competitor's opportunities and threats, use the "Four Pillars of Position" to classify your information.

> "The better your relationship with the customer, the more you should share your plans with them."

Strength, strategy, staff and support are the pillars of position. To evaluate the competitor's strength, look at technologies, experience, history, capabilities and customer satisfaction. The second pillar, strategy, looks at your competitor's purpose, goals and vision and its strategy for developing and maintaining competitive advantage. Then, to assess the staff pillar, examine the people (executives, account manager, project manager and others) working on the customer's account for your competitor. Support, which is the most important pillar, is determined by the amount of support the competitor has from customers. If your competitor has four strong pillars in place, it will be difficult to beat. This information can tell you if it is even worthwhile to compete with this rival.

Once you have determined how well positioned your competitor is, you can begin examining their vulnerabilities. Answer these questions to highlight vulnerabilities in each pillar.

- Pillar of strength - Has the company experienced recent performance problems. Are its strengths out of alignment with customer's needs? Are its employees arrogant and unresponsive? Do they appreciate the customer? Are their costs increasing?
- Pillar of strategy - Are their strategies in line with customer's priorities (i.e. are they emphasizing low cost when customers want quality)? Can they grow with the customer?
- Pillar of staff - Have they changed account managers? Do senior executives maintain customer relationships? Does staff behavior show a lack of commitment to customers?
- Pillar of support - Does their support exist in low levels of the customer's management exclusively? Are any people in the customer's organization biased toward your company? Has any event dissolved the trust between your competitor and the customer?

Search for cracks in any of the four pillars. Highlight three or four areas where your competitor is most vulnerable and attack those points. This analysis not only educates people in your company about your competitor, it will provide the insight you need in order to know where and how to neutralize their strengths and exploit their weaknesses.

Analyzing Your Company

Self-analysis is not intended to find out what you think of yourself, but to discover what the customer thinks of you. It is difficult because the subject is too close for you to see it clearly. Commonly, firms exaggerate their weaknesses so much it becomes hard to believe that your customer isn't as worried about them as you are. By the same token, many people are deceived by their strengths. Your strengths are a legitimate source of pride, but it is easy to believe everyone is as impressed as you are. Quite often, customers have different perceptions of your strengths and weaknesses than you do.

In account planning and strategy development, your customers' perceptions count, not yours. Begin your analysis of your company by talking with your customer. Conduct your SWOT analysis from the customer's point of view. This will show where you are strong and weak, where you have opportunity and where you face threats. Use these insights to drive your account strategy.

About the Author

Terry R. Bacon, Ph.D., is the president and CEO of Lore International Institute, a consulting firm that offers corporate training programs in sales and marketing, leadership and strategic account management. He has written more than 80 books and educational programs.