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Improving Key Account Management Processes in Training Business: Case Company X

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Improving key account management processes in a training business: a case study of Company X

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The purpose of this thesis is to investigate the current state of key account management at a business-to-business training company in the Helsinki metropolitan area and suggest improvements which could potentially lead to more business. The investigated company operates worldwide and has existed in Helsinki for over twenty years. To gain insight into the current situation, the theory of key account management was studied, and a survey was completed by company X's managing director, account managers and clients.

Handling the clients in the training industry is crucial to success. In the case of Company X client satisfaction is achieved through key account. Assigning key account managers ensures that there is regular contact with the clients and their evolving needs are met. As the business-to-business training industry is so competitive it is important to establish good relationships and achieve customer retention.

The questionnaires that were distributed for this thesis were adapted to provide accurate and relevant information from three different groups. These were the Managing director, account managers and clients of Company X. The questionnaires were distributed via email at the beginning of 2012.

A combination of action research, and quantitative and qualitative research methods were used in the study. The research was successful in determining the current situation with regard to the key account management and related processes of Company X from the perspective of both company and client. Detailed information is provided in the thesis. It was found that the clients of Company X are happy with the standard of service provided to them by Company X and that the relationships are strong. The views of the managing director and key account managers varied slightly from each other. This discovery leads to the conclusion that the key account management could be improved through training in local business law and a deeper knowledge of the industries in which their clients operate. Training Company X should invest more in their employees, provide more training and increase confidence levels. It appeared from the research that the account managers currently underestimate the importance of the relationship with the customer, which can lead to the situation where the customer could feel like he or she is being taken for granted. The number of key accounts is low so the loss of key accounts would have a severe impact on the company.

Key words: Key account management, business to business, customer retention

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Avainasiakkuuksien hallinnan kehittäminen koulutuksia tarjoavassa yrityksessä: Case Company X

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Tämän opinnäytetyön tarkoituksena on tutkia avainasiakkuuksien hallintaa (KAM) koulutuksia tarjoavassa B2B yrityksessä joka operoi pääkaupunkiseudulla. Tutkimusten pohjalta yritykselle esitetään kehitysalueita sillä tavoitteella, että se auttaa kasvattamaan liikevaihtoa. Tutkimuksen kohteena oleva yritys operoi maailmanlaajuisesti ja Helsingin toimipiste on ollut toiminnassa jo yli 20 vuotta. Jotta opinnäytetyö kuvastaisi yrityksen nykytilannetta mahdollisimman tarkasti, opinnäytetyön kirjoittajat opiskelivat avainasiakkuuksien hallinnan teoriaa ja loivat kohdennetun kyselyn yrityksen avainasiakkaille, yrityksen avainasiakaspäälliköille sekä yrityksen suomen toimipisteen toimitusjohtajalle.

Koulutuksia tarjoavassa yritysmallissa asiakkaiden hallinta on erityisen tärkeää ja siksi yritys panostaa asiakkaiden tyytyväisyyteen nimittämällä avainasiakaspäällikön asiakkaille. Avainasiakaspäällikön tehtävänä on olla säännöllisesti yhteydessä asiakkaaseen ja vastata siitä että heidän tarpeensa täytetään. Toimiva asiakassuhde edesauttaa myös yrityksen kasvua, jatkuvuutta ja kasvattaa asiakkaiden säilyvyyttä luoden terveen pohjan liikevaihdon kasvuun.

Opinnäytetyön kirjoittajat loivat kohdennetun kyselyn yrityksen avainasiakkaille, yrityksen avainasiakaspäälliköille sekä yrityksen suomen toimipisteen toimitusjohtajalle. Tämä takaa sen, että opinnäytetyö antaa objektiivisen kuvan avainasiakkuuksien hallinnasta nykytilassa. Kyselyt tehtiin kirjoittajien toimesta sähköpostitse sekä suullisesti vuoden 2012 alussa.

Kyselyn pohjalta oli mahdollista saada kattava kuva nykytilanteesta, sekä asiakkaan että yrityksen kannalta, verrata havainnoiteja keskenään ja siten tiedostaa kehitysalueet. Nämä kehitysalueet tulevat tarkemmin ilmi opinnäytetyössä. Yrityksen asiakkaat ovat erittäin tyytyväisiä saamaansa palveluun ja yrityssuhteet ovat vahvat. Toimitusjohtajan ja avainasiakkuuspäälliköiden näkökulmat KAM:n tilasta eroavat kuitenkin hieman. Tämän havainnon pohjalta ehdotuksen kohteena ovat syvemmät koulutukset Suomen laista julkisen sektorin osalta sekä syvempi tietotaito asiakkaiden yritysmallista sekä -ympäristöstä. Koulutuksia tarjoavan yrityksen tulee myös panostaa omiin työntekijöihinsä ja täten parantaa itseluottamusta ja yleistä ilmapiiriä. Avainasiakaspäälliköt aliarvioivat suhteitaan asiakkaitensa kanssa ja tämä saattaa aiheuttaa asiakkaalle olotilan, että yrityssuhde otetaan itsestään selvyytenä. Company X:llä ei ole kovin montaa avainasiakasta ja siten asiakkaan menettämisellä voisi olla tuhoisat seuraukset yrityksen jatkuvuuden kannalta.

Avainsanat: Avainasiakkuuksienhallinta, avainasiakaspäällikkö, B2B, asiakassäilyvyys

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1 Introduction

This thesis is written for the Helsinki branch of an international company. The company is in the industry of business to business training in the areas of Language, Communication skills and Culture. The aim of the thesis is to gain an overview of the key account management situation in the company and finding areas in which improvements could be made to potentially increase business. As the case company is international and alone has various offices around Finland, this thesis will only focus on its business and clients in the Helsinki Metropolitan Area. As this industry is very competitive in Finland the company for whom this thesis is written will be referred to as Company X.

The business to business training industry in the areas of expertise of Training Company X is very competitive worldwide. In the Helsinki metropolitan area there are many providers that range from big international companies to small local providers and individual consultants. A very important aspect for Training Company X is how they manage their clients and offer a high level of customer service. As competition is intense finding new clients is a continuous task and customer retention is vital. Training Company X designates account managers to all of its corporate clients and these managers are in frequent contact with their clients to solve problems, make improvements to ongoing trainings and build relationships to gain more business.

1.1 Background and purpose of the thesis

Company X operates in a very competitive market around the world but this thesis will focus on Company X's operations in the Helsinki Metropolitan area (HMA). Gaining a competitive advantage is crucial to the success and company x use the tailoring of their services to their clients and assigning key account managers as their way of gaining this advantage.

Company X has operated in the HMA for over twenty years and during that time the personnel within the company has changed and the completion has changed. This is an ever evolving industry and the purpose of this thesis is to assist company x by researching Key account management (KAM) and offering suggestions as to what improvements they could make which may benefit the company's personnel and company x itself by potentially creating more business opportunities.

As KAM is very important to company x in its bid to be successful this thesis will contain information gained from current account managers and company x, the Managing director (MD) of Company C and some views from their key clients.

1.2 The research problem and structure of the thesis

The research problem for this thesis is how to improve key account management processes in training business in the case of Company X.

This thesis will examine the theory of KAM. This involves such areas as the evolution of KAM relationships, uncoupling of KAM, the qualities of successful account managers, buyer behavior of the clients and relationship marketing.

This theory is relevant to Company X and gives a better understanding to the reader of this thesis of what KAM is and how companies implement it.

The research phase will be conducted via questionnaires to the key personnel who are involved with Company X's KAM strategy. There will be three different questionnaires created. They will be completed by the MD of company x, some current account managers of company x and the main contacts at a few of company X's key clients.

The questionnaires were created and carried out with the aim of gaining as much relevant information possible. The questionnaires when completed were returned only to the authors of this thesis so that the participants would not feel pressured into answering in a certain way.

After the survey is complete and the results have been analyzed a conclusion will be formatted and recommendations made which company x can then decide whether or not to use when conducting future development discussions and planning with and for their account managers.

2 Theoretical Background

2.1 Terms and definitions

Account manager (AM): An employee who is responsible for the day-to-day management of a particular customer's account in the business. The account manager is a point of contact, and provides customer support, up selling, technical assistance and general relationship management. An account manager may be in charge of a number of smaller accounts, or may focus on a few larger accounts. (Investopedia)

Added Value: The features that differentiate one product or service from another, and thus create value for the customer. Value added is a customer perception of what makes a product or service desirable over others and worth a higher price. Value added is more difficult to measure without a physical end product, but value can be added to services as well as physical goods, through the process of value engineering. (Q Finance)

Buyer/Purchaser: An employee whose job is to choose and buy goods, merchandise, services, or media time or space for a company, factory, store, or advertiser. (Q Finance)

Customer/Client: A person or organization to whom goods or services are provided or sold. (Q Finance)

Customer relationship Management (CRM): The cultivation of meaningful relationships with actual or potential purchasers of goods or services. Customer relationship management aims to increase an organization's sales by promoting customer satisfaction, and can be achieved using tools such as relationship marketing. (Q Finance)

Decision maker: Somebody with the responsibility and authority to make decisions within an organization, especially those that determine future direction and strategy. Decision theory is used to assist decision makers in the process of decision making. (Q Finance)

Key Account Management (KAM): Management of the customer relationships that are most important to a company. Key accounts are those held by customers who produce most profit for a company or have the potential to do so, or those who are of strategic importance. Development of these customer relations and customer retention is important to business success. Particular emphasis is placed on analyzing which accounts are key to a company at any one time, determining the needs of these particular customers, and implementing procedures to ensure that they receive premium customer service and to increase customer satisfaction. (Q Finance)

Managing Director (MD): The highest ranking executive in a company whose main responsibilities include: developing and implementing high-level strategies, making major corporate decisions, managing the overall operations and resources of a company, and acting as the main point of communication between the board of directors and the corporate operations. The MD will often have a position on the board, and in some cases is even the chair. (Investopedia)

Market Share: the proportion of the total market value of a product or group of products or services that a company, service, or product holds. Market share is shown as a percentage of the total value or output of a market, usually expressed in US dollars, pounds sterling, or Euros, by weight (tons or tonnes), or as individual units, depending on the commodity. The product, service, or company with a dominant market share is referred to as the market leader. (Q Finance)

Objective: an end toward which effort is directed and on which resources are focused, usually to achieve an organization's strategy. There is considerable discussion on whether objective, goal, target, and aim are the same. In general usage, the terms are often interchangeable, so it is important that, if an organization has a particular meaning for one of these terms, it must define it in its documentation. Sometimes an objective is seen as the desired final end result, while a goal is a smaller step on the road to it.

Operating environment: The combination of economic, social, and political factors that affect an organization's activities. (Q Finance)

Partnership: The relationship which exists between persons carrying on business in common with a view to profit. (Q Finance)

Profit Margin: The amount by which income is greater than expenditure. The profit margin of an individual product is the sale price minus the cost of production and associated costs such as distribution and advertising. The net profit margin *or* return on sales *is net* income after taxes divided by total sales. On a larger scale, the profit margin is an accounting ratio of company income compared with sales. The profit margin ratio can be used to compare the efficiency and profitability of a company over a number of years, or to compare different companies. (Q Finance)

Prospect: A person or organization considered likely to buy a product or service. (Q Finance)

Relationship Management (RM): The process of fostering good relations with customers to build loyalty and increase sales. (Q Finance)

Supplier: A company that provides materials, components, goods, or services for another company. (Q Finance)

SWOT: An assessment of the "Strengths, Weaknesses, Opportunities, and Threats" in an organization. SWOT analysis is used in the early stages of strategic and marketing planning, in problem solving and decision making, or for making staff aware of the need for change. It can be used at a personal level when determining possible career development. (Q Finance)

Target Market = a group of people considered likely to buy a product or service. (Q Finance)

2.2 Key Account Management

Key Account management (KAM) is a strategic approach used by selling companies in a business to business market environment aimed at maximizing customer satisfaction and increasing the chance of achieving maximum revenue potential from the buying company. Through KAM, selling company's select and build a portfolio of companies that they feel are worth investing more resources into such as time, effort and money compared to regular accounts. This allows them to be in more regular contact with the buying companies and tailor their product or service to the ever changing needs of the customer. (McDonald & Woodburn 2007, 4-27)

Whether KAM is successful is judged on many factors including how the approach is viewed by the receiver of the method. Key Accounts are selected based on how important the selling company views the buying company in their strategic approach. For KAM to be truly successful both parties should view each other's co-operation as very important in their own business strategies. This intensified customer focus leads to benefits and opportunities for profit growth on both sides. When a Key Account is identified and the KAM strategy implemented it leads to more sales from the selling company as whenever there is a need on the buying company's behalf the selling company know about it as a result of the regular interaction and can quickly and efficiently provide a solution. (McDonald & Woodburn 2007, 4-27)

Recent times have seen changes in the business operations around the world and these have had an impact on KAM. Internationalization "has led to a greater interdependency between global customers and suppliers". This interdependency is a result of the buyer's changing requirements and their needs becoming ever more intricate. This transformation makes the selling company provide more tailored solutions quicker than before. As part of KAM's evolution the suppliers are becoming more aware of how beneficial their key customers are to them as they plan to grow together and continue to meet their demands. (McDonald & Woodburn 2007, 4-27)

Customer power is an ever changing entity and this leads to selling companies putting more effort into accumulation key accounts. Customers know that they can ask more of the suppliers than ever before as there is so much competition in many markets. If the customers' needs are not met or they feel they can gain by doing business with the selling companies competitors there is less shame and loyalty than previously in changing supplier. As a result of the continuing financial crisis suppliers know that they have to retain clients not just to make profits but to keep their company functioning. A growing trend for international companies is that big clients are getting bigger, although this is not the case for all companies as volume of business may increase, demands become more obscure and geographic locations become issues. This can lead to supplier not having the resources or the capabilities to retain customers and thus forcing the customer to seek a better option for them. As there is an increasing choice for buyers it is becoming more costly for the supplier to win new clients and retain them although this is crucial for long term profitability. (McDonald & Woodburn 2007, 4-27)

Purchasing departments and decision making units (DMU) are becoming more trained and professional when meeting and agreeing deals with suppliers. This is due to a change in simply choosing a supplier that makes financial sense. Other factors now take precedence over simple financials and these include quality of the product/ service and the people quality. Strong relationships are important in business and suppliers may find themselves losing out on deals although they offer a better price because another supplier offered long term value in customer service and people skills and simply letting the customer know they care. (McDonald & Woodburn 2007, 4-27)

The customers considered as key accounts are demanding and have the leverage to negotiate e.g. better terms of payment, delivery and price. As the orders are frequent and profitable supplier has no problems giving special treatment in order to secure smooth transactions for the future as well. The danger and downside of KAM is that it causes inequality within the customer base. While it flatters and creates value to others it might hurt the business if heard by a customer who does not have a special status. (Pardo, 1999, 276-297)

2.3 Evolution of KAM relationships

This section explores the evolution of KAM relationships. Every company that deploys KAM has a long-term strategy to move the relationship with the customer through different phases, eventually realizing full potential. This segment is based on the “Key account relational development model (Millman and Wilson, 1994, Figure 2.1)

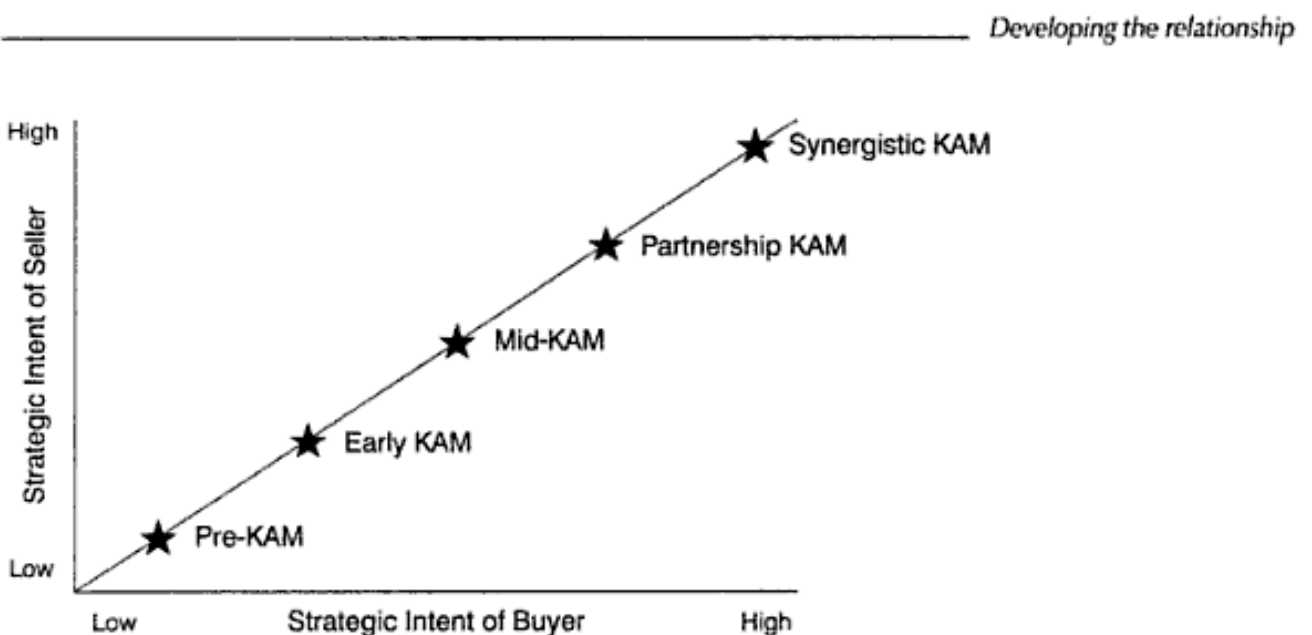


Figure 1: Key account relational development model (Millman and Wilson, 1994)

The stages start at Pre- KAM and evolve as follows, Early-KAM, Mid-KAM, Partnership KAM and Synergistic KAM. This evolutionary process typically lasts a number of years and as the relationship matures the managerial behavior and skills needed to adapt to the situation have to adjust in kind. When the relationship evolves it does so to the point where each side (buyer and seller) feel comfortable and that there is a sense of mutual gain. This may not be the maximum stage of synergistic KAM. To grow the relationship at all it takes work from both supplier and customer and both must want to nurture the partnership. (McDonald and Rogers 1998, 9-10)

2.4 Pre- Key Account Management

The pre KAM stage exists at the beginning of any relationship between a selling company and a buyer. At this point there has been no deals done and no money has changed hands. The seller has a process of identifying companies that have key account potential and make a general first contact. This contact is typically between a key account manager and a purchasing manager; this is based on the product or service offered. Training services are often discussed with a member of the buying company's human resources department. (McDonald and Rogers 1998, 10)

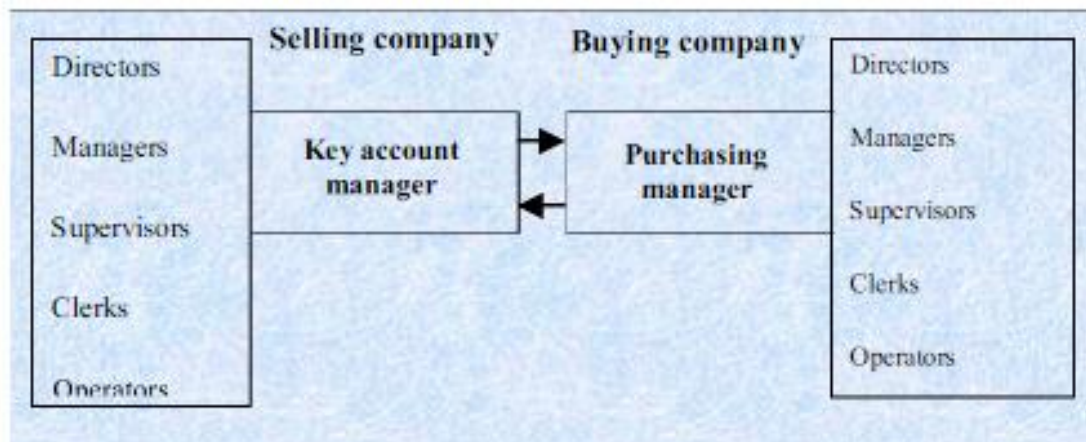


Figure 2: Pre-KAM stage, (McDonald and Rogers, 1998)

This stage is vital for the selling company as it only has one chance to make a first impression. The buyer will use this stage to assess the products or services offered and think about how they could fit into their long term strategy. The buyer may “play hard to get” to try and gain the best price possible and see the reaction of the selling company when they are made to work hard to potentially secure a deal. (McDonald and Rogers 1998, p.10-11)

Unless the seller is offering something completely new it is likely that the buyer has an existing provider or have discussed similar offerings with other providers in the past. It is important that the seller has completed a competitor analysis and understands to an extent what their rivals are offering. This will allow them to find an area of competitive advantage and use this to attempt a deal with the buyer. If the buyer has gone to tender then the seller must explore the existing provider’s services and find ways in which they would be superior and add more value to the buyer. (McDonald and Rogers 1998, 10-11)

2.5 Early- Key account Management

Early KAM is the second stage of the relationship and now there has been a transaction. A deal has been done but in a small amount. The seller has convinced the buyer to invest in its services and it has to use this stage to gain more trust and persuade the decision makers from the buyer side to invest in more of the same. (McDonald and Rogers 1998, 11-12)

It is common in early-KAM that the buyer will be using more than one provider and although the aim of the seller is to become the sole provider, this may never happen. Buyers may like to always have more than one provider as it gives them more options and a constant comparison of quality and price. If only one provider is selected and something goes wrong it can take time to find a new one and for some that is a risk they cannot take. (McDonald and Rogers 1998,11-12)

It can be easy for the relationship to get stuck in this early-KAM stage due to different variables. Although the economic situation is improving in some industries there is no doubt that many buyers and sellers have had to enforce financial restrictions over the last few years. This can halt the relationship in early-KAM, even if the buyer wants to invest more it may be unable to do so. This can still make the buyer a key account as it could be a guaranteed source of income, even if relatively small. (McDonald and Rogers 1998, 11-12)

Miss handled paper work, poor communications and bad management can also prevent the relationship from advancing. If the buyer is happy with the products or services offered but the business is

not being conducted well by the seller, this may be a deterrent to invest on a bigger scale. (McDonald and Rogers 1998, 11-12)

The communications in early-KAM are still between the key account manager and usually one main contact person from the buyer. This makes the business potentially unstable, if something was to happen to the contact people on either side the relationship between the buyer and seller may no longer exist. Some factors that could occur are, the contact person moving company, changing job position or having health issues leading to sick leave. Any of these factors could set the seller back to the begging. The diagram below illustrates how dependent both parties are on the contact people are in this stage. (McDonald and Rogers 1998, 11-13)

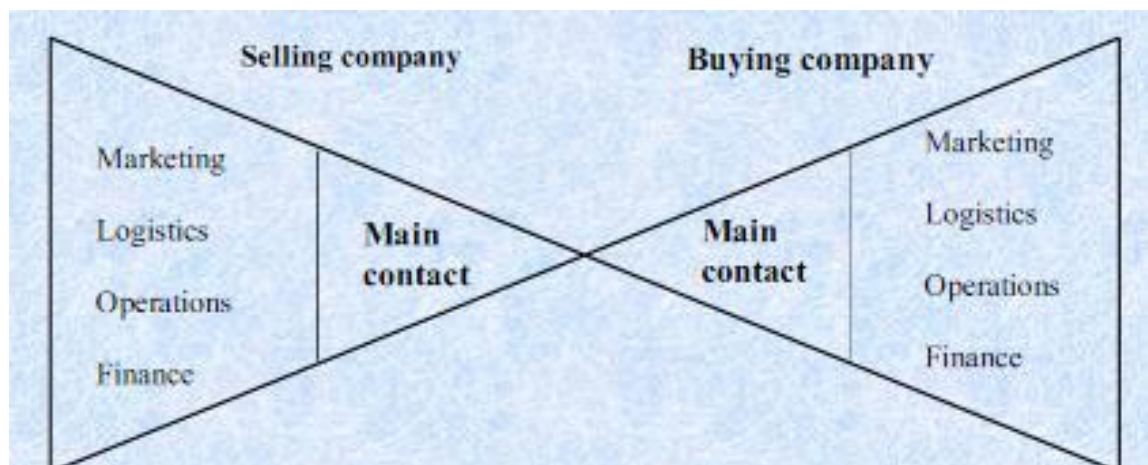


Figure 3: Early-KAM stage, (McDonald and Rogers, 1998)

2.6 Mid- Key Account Management

When the mid-KAM stage is reached there is a greater trust between the buyer and seller. The products or services offered have been of satisfaction. The agreements between the two parties will intensify leading to a greater amount of business and more co-operations within each organization. The contact between the buyer and seller is no longer restricted to the key account manager and the main contact. (McDonald and Rogers 1998, 13-14)

At this stage the percentage of business from the buyer may be 50 or more. This does not limit the buyer to use only the seller as a sole provider and may continue to use other providers. The provider may also offer extra services at no cost as a gesture of good will to retain positive relations and potentially grow the business further. Both parties may agree to extend the contracts yearly but both would assume and plan for a long term relationship. Although this is the case both sides would likely

have an exit strategy in place, in the event of a situation where the deal no longer works. (McDonald and Rogers 1998, 13-14)

By now the providers offerings are proven and there is less of an emphasis on how good the quality of the good or service provided is. The focus now is on “social interaction”. On the sellers side the employees should know who the key accounts are, and how important it is that they are successful. The buying company will know more people involved from the provider which may include senior managers. (McDonald and Rogers 1998, 13-14)

The figure below shows the mid-KAM stage now that there is trust and credibility on both sides.

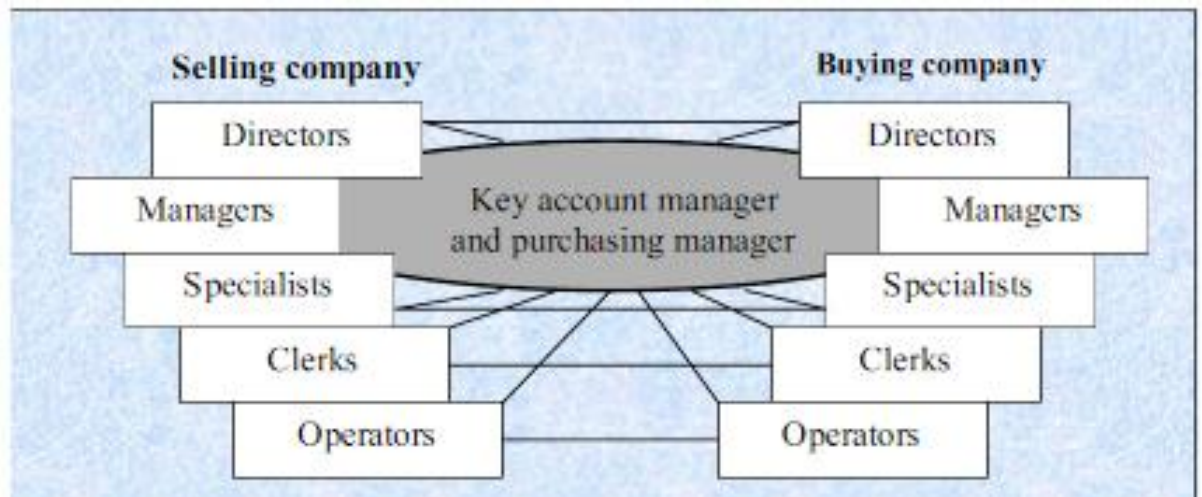


Figure 4: Mid-KAM stage, (McDonald and Rogers, 1998)

2.7 Partnership- Key Account Management

Partnership- KAM level is reached when there is a real sense of partnership by buyer and provider. The percentage of business by the buyer through the seller is almost 100%. This means that the interaction between the two groups are very frequent and on many levels. The buyer views the provider as a “strategic external resource” which in turn may lead to the sharing private information sensitive to either side and any problems are solved together. The information shared could include financial information, if both sides agree and a partnership agreement would include all the term and conditions. (McDonald and Rogers 1998, 15)

Both companies work to ensure each make a profit which often results in long term pricing thus adding stability. In the partnership stage the buyer will expect a guarantee on the continuation of supply of the good or service from the provider and always the best quality available. As the partnership

grows there is an expectation that expertise from either company can be shared and joint aim to improve processes. (McDonald and Rogers 1998, 15)

Partnership agreements are typically reviewed every three or five years although there is no law in private companies that states there has to be a fixed time. In Finland, government owned organizations have to go to tender for products or services over a certain cost and for continual services or products the tender fits the three to five year bracket. (McDonald and Rogers 1998,15-16)

The partnership stage is all about a feeling of working together and this is shown in the figure below. All relevant departments from the provider and the buyer are aligned to maximize cooperation, make points of contact easier and enable both parties to work towards a common goal. (McDonald and Rogers 1998, 15-16)

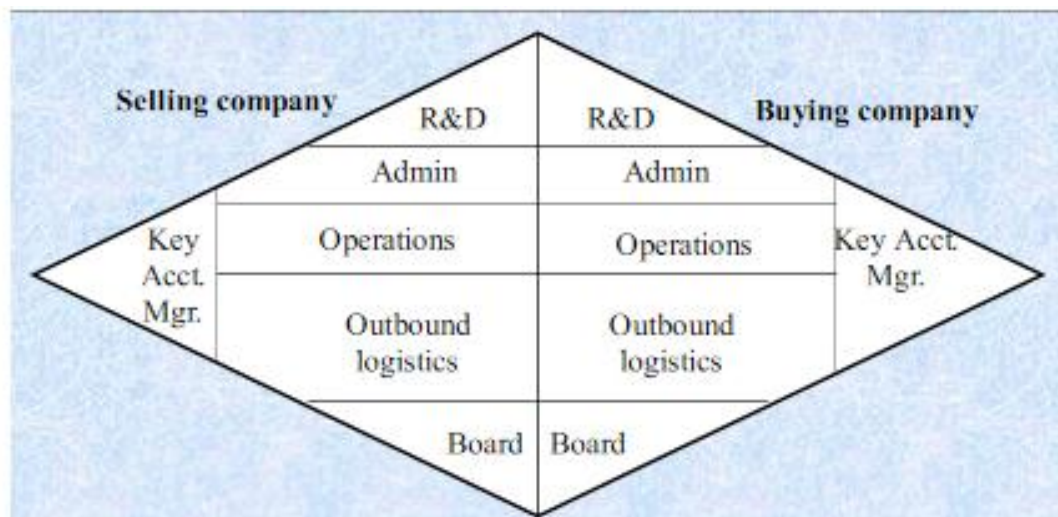


Figure 5: Partnership-KAM stage, (McDonald and Roger, 1998)

2.8 Synergistic- Key Account Management

Synergistic KAM is the point where the buying and selling companies work together to gain market value. At this stage there is transparency in many areas and as a result there is interfacing at all levels of the organizations. This makes it difficult to establish the two separate entities of the buyer and seller. In practical terms there are joint board meetings, research and development, integrated information and cost systems. The buying company is satisfied that it is getting high quality at reduced prices from the seller. (McDonald and Rogers 1998, 17)

As there is high competition in virtually all areas of business, the selling company knows that they can be replaced at any time from the buyer. As a result there are exit strategies in place although at the synergistic stage they are unlikely to be tested. (McDonald and Rogers 1998, 17)

For synergistic KAM to be successful both the buyer and the seller have to believe and trust that this is the correct strategy and be committed to the process for the long term. It is vital that the key account manager knows the client's business very well and is always available when needed by the client. Synergistic KAM is usually a lengthy process and can take years to establish. During these years the key account manager has to be focused and motivated usually via incentives offered to continue working with the client and build the account to the maximum level. (McDonald and Rogers 1998, 17-18)

2.9 Uncoupling - KAM

It is crucial that uncoupling is understood by all companies that plan to engage in KAM at any level. Uncoupling is the relationship breakdown between the buyer and the seller and understanding the causes can lead to achieving KAM success. If the potential causes of uncoupling are explored, solutions can be found in advance and if a certain scenario occurs, pre-determined measures can be put in place with the aim of avoiding uncoupling. (McDonald and Rogers 1998, 18-19)

The reasons for relationship breakdown are in two categories, Inter-relational and External. In theory the difference between these two categories is that the external causes of uncoupling are unpreventable by the selling company. (McDonald and Rogers 1998, 18-19)

2.10 Inter-relational Uncoupling

As stated previously in this thesis it is a risk only having one point of contact from the seller to the buyer, as a change in key personnel on either side especially if they are one of the contact people this can lead to uncoupling. This change doesn't have to be permanent, if a key account manager is on sick leave for any extended period of time, this can have the same effect. (McDonald and Rogers 1998, 19-22)

If a change in personnel takes place the person who enters the relationship between the buyer and seller may not be able to connect in the same way and a clash of personalities may arise. This can also become a cultural problem if the companies are international or the individuals hold different be-

liefs. If there is a change in key account manager the buyer may feel that the new contact person is not as experienced or as professional as their predecessor. (McDonald and Rogers 1998, 19-22)

If a key account manager or purchasing manager is frequently out of contact, this can lead to problems especially during working hours. This can be regarded to as neglect particularly towards the client. Transparency and sharing to some extent is important so one side not sharing information with the other can cause uncoupling. This can also be a sign of a lack of trust and a relationship can't survive without trust. (McDonald and Rogers 1998, 19-22)

A breakdown in negotiations can also cause uncoupling if one side pushes too hard for example regarding pricing. It is important that quality is upheld at all times from the supplier in relation to the products/ services offered and service. (McDonald and Rogers 1998, 19-23)

2.11 External Uncoupling

The two main causes of external uncoupling are changes in market position of the buyer and financial problems. (McDonald and Rogers 1998, 23-24)

If the buyer loses market share the supplier may no longer see the relationship as cost effective. This has a knock on effect to the top account managers whom don't want to be involved with accounts that have shrunk and change their focus to other companies with more market share. (McDonald and Rogers 1998, 23-24)

Financial problems on either side can cause uncoupling. If the buyer can no longer fund the services required by the buyer then the buyer would look to a competitor. Also if the buyer finds themselves in financial difficulty and can no longer afford to buy the service of the selling party the relationship will end. (McDonald and Rogers 1998, 23-24)

2.12 Key Account Managers Core Qualities

Personal qualities: integrity, resilience/ persistent, selling/ negotiating, likability.

Subject knowledge: product knowledge, understanding the business environment, markets, financial, legal, computer literacy, language/ cultural.

Thinking skills: creative and flexible, strategic thinking/ planning.

Managerial skills: communications skills listening/ persuasion, people management/ leading, credibility, administration/ organization.

Pre-KAM: Research the prospect; see if it will be profitable before dedicating resources. presenting company/ product to buyer

Early KAM: spending time with the client, convincing decision maker they made right choice. Convincing colleagues this is a good account. Keep promises. work with buyer to use the product and integrate.

Mid KAM: Devising strategies to win more business, show buyer their important, supplier status is the goal,

Partnership KAM: make long term plans with key decision makers, move from volume to quality and lower price,

Synergistic KAM: creative thinking to secure longevity, constant monitoring.

(McDonald and Rogers 1998, 119-127)

2.13 Selection of Key Accounts

To reach the objectives, key account managers need extensive business management understanding. These competences allow creating trustworthy relationships with customers, creating additional value to both parties involved. Companies can have only a handful of well managed key accounts in order to succeed, as it's possible to truly devote time only to few customers with strong partnerships. Just as in labor forces private lives, people have handful of real friends, whereas the rest are left with little attention as acquaintances and no additional value to either party. The optimal number of key accounts no matter what size the company is somewhere in between of 15-35 with 5-50 as outer limits. (McDonald & Woodburn, 2007, Foreword, Purpose of the book, 4-23)

The customers should help fulfilling the company strategy and optimally be business leaders in its field. If a company fails to choose appropriately its customers, they end up most likely with over demanding and unprofitable customers, who will not complete the vision of the company no matter how well it's thought out. Then again some customers are taken for granted as key accounts, without auditing their input. In these cases suppliers tend to forget to evaluate themselves against the market and think what differentiates them from the competition. Not to mention that close relationships with the customers mean higher costs and mismanagement of these accounts can mean a significant loss for the company. (McDonald, Woodburn, 2007 17-27)

The number of key accounts can never be big as the limited amount of scarce resources has to be used efficiently. During this process one has to always remember not give derogatory labels to their customers, key account or not, to avoid any possible misunderstandings and loss of revenue. (McDonald, Woodburn, 2007 Foreword, Purpose of the book, 4-5)

The main events that decide if the customer is a profitable one, or creating loss, happen after the sale. Often companies do not analyze their customers deeply enough and are not aware which customers are truly profitable ones. This in worst case scenario means that the costs caused by the company which creates loss is paid by the profitable company, thus creating loss on the business potential with profitable customers and naturally loss of revenue. (McDonald, Woodburn, 2007, Foreword, Purpose of the book, 5)

Each customer should be carefully evaluated before picked as a key account. Senior management should define the selection criteria and weight criteria against each other, and then hand out the finalized criteria to rest of the staff for evaluation. As the results need to be as objective as possible the rating should not be done solely by account managers or senior management. Account managers might tweak results to be a little bit better than they are and senior management usually does not have overall picture up to date. Therefore departments such as finance, customer service and logistics should be involved in rating as well. (McDonald, Woodburn, 2007 Foreword, Purpose of the book, 37)

2.14 Buyer Behavior

It is important that the seller understands how buyer behaves. The seller must keep in mind the following questions; what are the decisions the buyer makes; who else is involved in the buying process; what are the main influences of the buyer; how the buyers decide what to buy? (Kotler, P. and Armstrong, G. 1999)

The persons who have an influence in the buying process can be grouped the following way:

Users: As the word explains itself, this group is using the product and usually is initiating purchase. They are the ones who help defining the specifications as they are the ones who use it.

Influencers: They key group who influence the decisions by providing additional information. These are for example engineers and technical personnel.

Buyers: The face of the company completing the purchase. The emphasis of buyers is in negotiating and selecting vendors and possesses a formal agreement to make the transaction.

Deciders: Part of the buying process who obtains power to select suppliers. These are often opera-

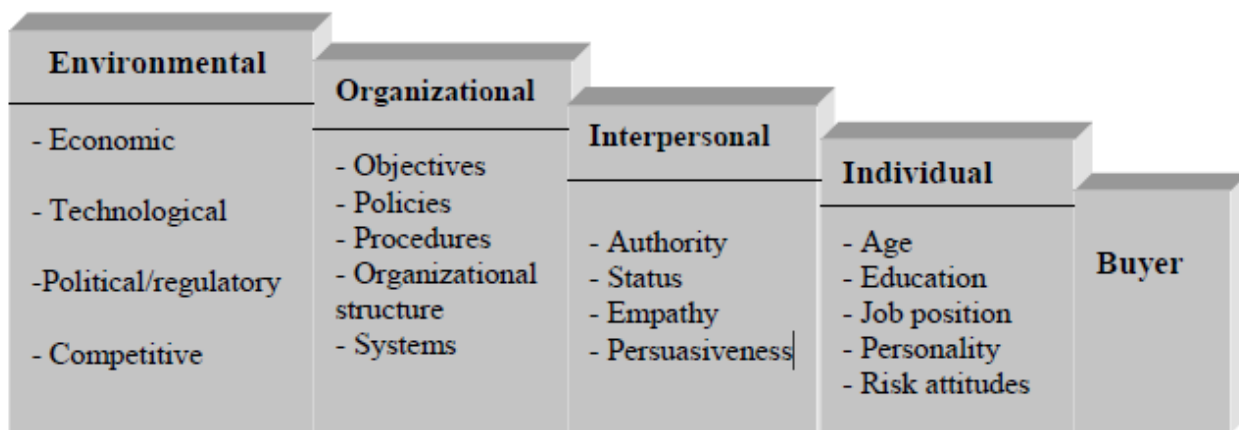
tional buyers.

Gatekeepers: The persons in the organization who control the information flow and have the authority to prevent sales personnel from seeing the actual users and deciders. This is controlled by the operational buyer in many of the cases. When business buyers are making decisions they are facing commonly environmental, organizational, interpersonal and individual influences. (Webster and Wind 1972),

The Key Account Manager should be aware of the customer's business environment in order to build trust and sell to their needs. By following a simple three-step program supplier can achieve their needs by helping the customer reach theirs:

First supplier must understand customer's business environment and their drivers such as fast changing operating environment, state of globalization, ever increasing customer power and markets maturity. Secondly supplier must recognize customer's objectives in full. Thirdly supplier must match their own strategy with customer to cater to the customer's needs effectively. (McDonald, Woodburn, 2007, 113)

FIGURE 3.4: MAJOR INFLUENCES ON BUSINESS BUYING BEHAVIOR



Source: Kotler and Armstrong, 1999

Figure 6: Major influences on business buying behaviour, Kotler and Armstong, 1999

2.14.1 Eight step program of operational buying:

In order to contact the right people in customer's organization, it is value adding to understand the standard procedure in operational buying. Below you can find the eight step program presented by Kotler and Armstrong (1999):

- 1) The problem is identified within the purchasing company and it can be solved by acquiring a service or goods from a supplier.
- 2) Then buying company defines the general characteristics and a quantity of the product.
- 3) Technical specifications are taken into account next alongside with the best value for the money.
- 4) Buyer starts to search for a supplier which is the most important phase as this can either create significant value or loss.
- 5) The offers of interested suppliers are being further evaluated.
- 6) The supplier is being selected and final negotiations to be done before entering into agreement.
- 7) The parties enter a legally binding agreement with terms of payment, delivery, product specifications etc.
- 8) The transaction should be further reviewed to define a future business potential of the chosen supplier.

(Kotler and Armstrong, 1999)

FIGURE 3.5: ORGANIZATIONAL BUYING PHASES

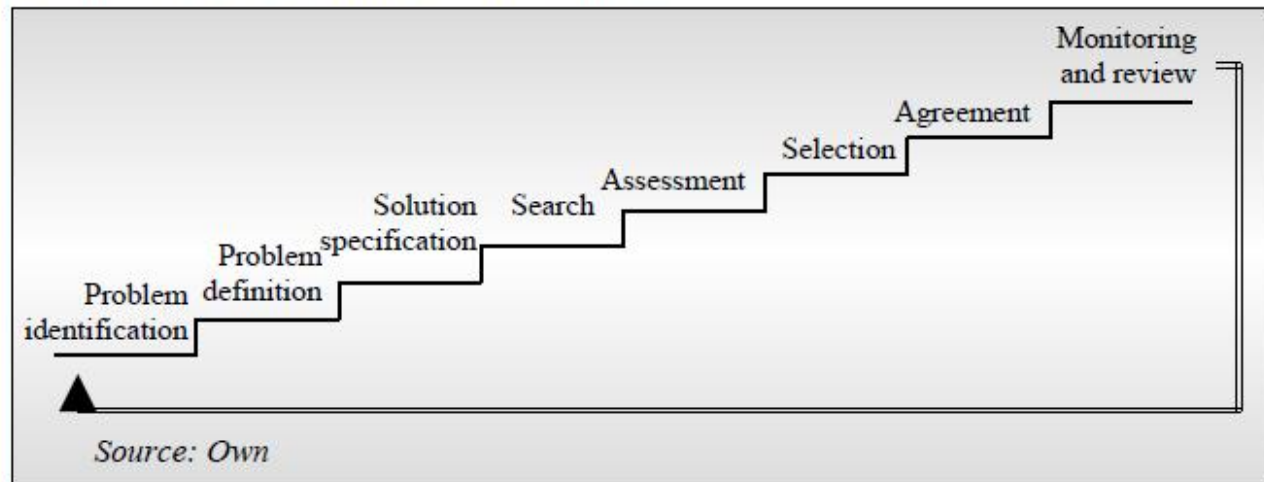


Figure 7: Organizational buying phases, (Kotler and Armstrong, 1999)

2.15 Relationship Marketing

Marketing concepts core is to understand and meet the customers' needs. The company which provides goods/services which; meet the needs of the customer, provides satisfaction with desired quality, with an additional value in place, has the best chances to prevail. (Gummesson 37)

Relationship Marketing (RM) is marketing activity based on the interaction within relationship networks. Network is a very complex set of interacting relationships in one. Customer Relationship Management (CRM) is to use the values and concepts of RM in practice within customer-supplier relationships. CRM means active and significant investment in relationships for a long-term sustainable profit securing the business operations. In both RM and CRM the focus is on individual and networks formed by individuals with similar mindset. (Gummesson 21-22, 32, 73)

The customer-supplier relationship is a foundation of all marketing. First thing needed in a relationship is two parties exchanging information and interacting. Long term relationships are built when a company has loyal customers who are sharing the positive feedback within their network. Relationships are crucial in business life as professionals are purchasing services from someone whom they consider to be a professional. (Gummesson 22, 27, 31)

In addition of being professionally qualified, networking and personal relationships are key factors in success. Often the main decider between profit and loss rises from the customer satisfaction. Many

companies don't publicly ask bids anymore, but choose well-kept relationships over the cheapest possible prices. (Gummesson 23, 25, 33)

If a company is not united behind the concept of RM and CRM including all the departments, the potential put into the whole CRM scheme will not be maximized nor will it necessarily even have positive results. The fundamental values behind RM are the following:

- Marketing Management needs to be marketing centric management of all the company. The function of the department needs to be integrated to all organization and especially the senior management.
- The co-operation and relationships needs to be sustainable from which all parties benefit. The transactions should be considered to be between partners instead of counterparties.
- All the parties involved needs to be active.
- Bureaucracy and legal jargon should be replaced with values of the relationship and service. The customers' needs to be treated as individuals. They are a source of income with a need for attention and it's the suppliers benefit to provide additional value by all means to differentiate from the market. (Gummesson 37-39)

2.16 Summary of Theoretical Section

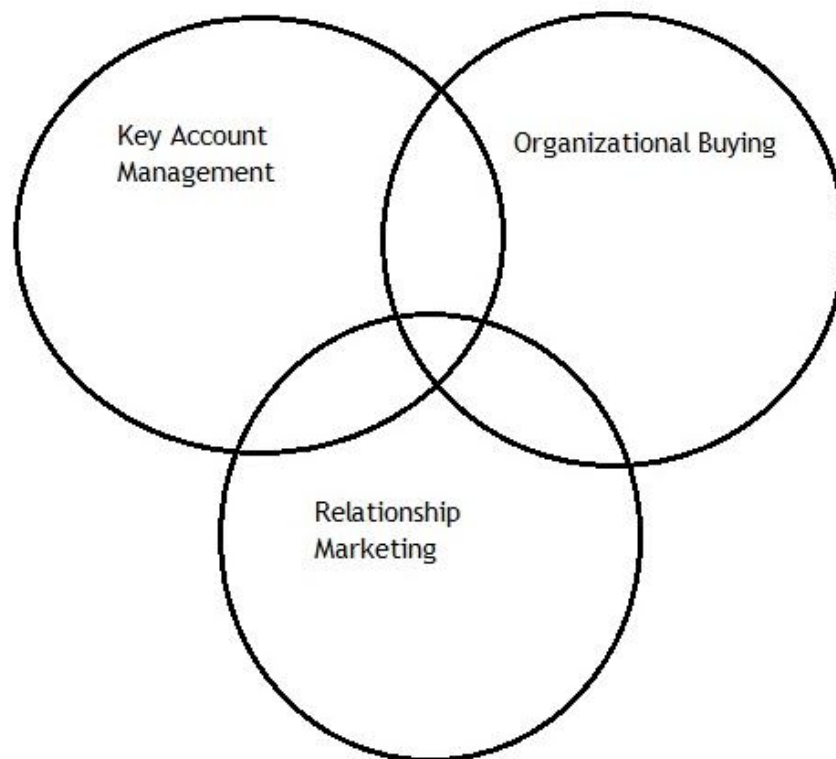
The theoretical part of this thesis gives an insight into KAM and other factors which are closely related. Beginning with a definition of KAM as a process the stages of the processes then follow. KAM is very much based on relationship building and is shown in this section of this thesis. Being able to communicate effectively, understanding the buyer behavior and implementing relationship marketing is crucial in the evolution of KAM.

In the theory there is an outline of what traits make up a successful Key account manager and this could be helpful for a manager who is looking to recruit a Key account manager or may be thinking of implementing KAM in their Company. There is also a guide on how to select key accounts as not all clients are suitable. Operational buying is an important process to understand when involved with KAM and it is covered in the above section. The theoretical part of this thesis ends with a SWOT analysis of KAM. This is not an analysis of KAM in case Company X, it is based on the strengths, weaknesses, opportunities and threats of KAM as a theoretical process.

The theoretical section aims to give the reader a good idea of KAM and what is involved for it to be successful. This would be useful for anyone wanting to gain an understanding of KAM for any reason. As this is real theory the sources are listed so that the reader can look further into the sources if wanting and can also see that the theory is relevant and up to date.

2.17 Theoretical framework figure

Below you can find theoretical framework figure which was used for the thesis.



3 Research and methodology

This part of the thesis will describe the methods used to obtain data. This will include how reliable the methods were and how reliable the information is that was gained. In this thesis action study, quantitative and qualitative research methods were used and the results were not compromised or influenced in any way by the authors of this thesis. Action study was possible since one of the authors is employed by Case Company X and therefore has access to internal information. Qualitative methods were used by interviewing the key account managers and managing director in person. Quantitative methods were used with customers as the questionnaires were conducted electronically without per-

sonal contact with Case Company X's customer. Five questionnaires were sent out to key customers and we received back 4 (80% success rate). Six key account managers were either directly interviewed or sent out a tailor made questionnaires and we received four replies back (67% success rate) and in addition a questionnaire filled by Managing Director.

3.1 Data collection

The data for this thesis was gathered through questionnaire interviews, literature, internet sources and personal experience of the authors.

The questionnaire interviews were conducted with key account managers of Company X, the managing director of Company X and the main point of contact in a few of Company X's key accounts. The questionnaires were adapted for each of these three groups as the information gained from each group was more specific. The research was conducted by email and throughout the writing of this thesis there was an ongoing dialogue with the office manager of company X via email and telephone. The authors of this thesis ensured that the questionnaires were completed by relevant parties with the knowledge of the thesis topic and were able to give credible feedback. Permission was granted by company x to contact some of their key accounts and they provided the contact information. The thesis authors received all questionnaire answers directly so that it was known that the answers did come from the correct people. Company X have not seen any of the answers, this ensures that there was no pressure on questionnaire participants to change answers to suit Company X. All references of the literature and internet sources used have been listed and recorded.

3.2 Validity and reliability

This thesis is based on valid and credible information and all references have been listed in full to ensure they are counted as valid and reliable. However due to Company x remaining anonymous and their clients remaining anonymous the authors of this thesis take full responsibility for the validity data gained. Due to small sample and one author working in the company the data can be considered valid and reliable; however there is slight room for subjectivity and error as a wider range of research materials could have been used in the analysis.

An author of this thesis is a former employee of Company x and they can confirm the validity of the participants of the questionnaires through knowledge of the people and their positions in the companies due to personal experience. Experiences have been used in order to target the questionnaires more suitable to each target group and how to analyze the answers in a given operating environment.

Company X has five key accounts and the majority of these responded to our questionnaire this gave a good data sample.

4 Empirical study

Company x consists of a range of employees and consultants with an in depth knowledge of training in the business to business industries worldwide. In the HMA Company x works with human resource and training departments with the focus to work in cooperation to improve their client's language skills, a variety of practical business skills and give knowledge to improve business in multicultural scenarios. Company x works with individuals and organizations in a variety of industries.

In the HMA Company X's organizational structure is constructed by a group managing director, sales personnel, account managers, trainers and specialist consultants. All of these personnel are key to Company x being successful. The sales team has the duty of contacting potential new clients through phone calls, email, post and open seminars. Once the client is sold on the idea of taking training the trainers then take control by conducting professional trainings which meet the client's needs which were established at the sales stage.

The account and key account managers role is to grow the relationships with the client with the objective to build more business opportunities in terms of more student numbers and more consistent sessions. Company x has five key accounts in the HMA.

Company x has existed in the HMA for over twenty years and during that time they have grown there key accounts through the stages of KAM evolution. Company x has an online system which they use for giving, receiving and planning lessons. The integrated system is an important tool in establishing key accounts. With the biggest accounts of Company x they have reached partnership KAM. This means that there is regular contact between the two companies on different levels. Also there is the goal of a win-win scenario where each company benefits each other so they each make profit in the long run.

4.1 Business to Business training Helsinki Metropolitan Area

In the HMA the business to business training industry is very competitive. The companies that take training for their staff tend to know most of the big providers of which there are three to five. These big providers are international organizations. What makes the industry more complete is that there a many smaller companies and individual consultants that all offer similar services.

During the recent financial downturn in Finland although other countries in Europe suffered more, many companies in the HMA made cut backs and investing in training was one of the restrictions en-

forced. This in turn put financial pressure on the training industry but Company x managed to keep a level of clients which saw them through this period where others fell.

As the competition is very high in the HMA it is vital that the sales people at Company x get as much face to face time with potential clients as possible as a big trust needs to be gained for a client to invest in the services and maybe even change provider.

4.2 Analysis of the questionnaires

In this chapter you can find a deeper analysis of the questionnaires which are attached at the end of the thesis.

4.2.1 Customer questionnaire - analysis

When the clients were asked what are the key competences they look for in Key account Manager, every one of them raised such points as; easy to communicate with, confidence and flexibility in practical matters. All of the above are the key skills in ordinary customer service and it's safe to say that it forms the base of any successful account manager as well. The main message was that the supplying company really needs to understand the client's needs to be able to find the right solutions. Therefore the account manager should investigate the clients market, follow up on it to see the latest trends and initiatives and generally to get involved to maximize the relationship with on-going client. More the supplying company is aware of what's going on its client market, easier it is to customize the service and to further penetrate emerging market area.

As we touched a topic of individual influences in business relationships - such as age, job description, education and personality - the results were mixed. One claims that none of the above have any influence whereas another claims that it can have a huge impact on the relationship. The reality is probably somewhere where service level and relationships meet. Differences don't prevent cooperation, but doesn't help to maximize the relationship either if the personal chemistry does not meet at all.

In fact the questionnaires reveal that the added value which Company X brings in the eyes of a customer, is not only the professionalism in form of knowing the clients market, but it is the interpersonal relationships between the point of contacts. Another point which is seen as an added value, and also separating Company X from the market, is the knowledge they have about their target market; Finnish way of life, their mindset, character and everything in between. For a company offering

cultural services this should be a foundation of a company, and Company X seems to deliver this by exceeding expectations.

So how does Company X manage so good relationships? When clients were asked how often they wish to be contacted by account manager there are no clear numbers per day, week or month. The relationships seem to be quite personal with clients and Company X's service level very high in flexibility organizing meetings when clients require. Typical contact methods are face-to-face few times a year, whereas e-mails and phone calls are available around the clock basis. Company X gets applauded for being very understanding in late rescheduling, cancellations, flexibility and general service they offer for their clients.

As we raised a question if there's something clients would like to have improved in relationship handling on company X's side and all the responses were very flattering. We didn't get a single concise improvement suggestion, so the account managers are managing their client relationships nearly flawlessly. Only public sector is slightly different since the decision makers need to be neutral. Therefore clients avoid too close relationships, and are obliged to put a tender out whenever service is needed; however, Company X seems to be managing the bidding war well.

The questionnaire was ended by asking how clients see the future importance of KAM and the results were very clear. KAM is very much appreciated and further movement to self-service or automation in this field of business is not seen possible. General message throughout the questionnaire is that Company X is doing great job managing their relationships and it should be kept at this level in the future as well.

4.2.2 Key account manager questionnaire - analysis

The size of the account portfolio of an account manager varies from one to a dozen accounts and key duties vary from administrative duties, relationship management and pursuing growth within the accounts. Although the past experience as an account manager varies for some being more experienced than others, the key competences are seen to be the same throughout; good communication skills, listening techniques and to meet the needs of a client. These competences are perfectly aligned to customers' needs handled in the previous paragraph.

What comes to individual influences the account managers are saying that age, job description, education and alike are not influencing the relations. Looking further down in this chapter we do see however that the clients contact person in the eyes of an account manager doesn't appreciate his/hers own work, which is clashing the above statement since it's directly an influence and also re-

lates to job description. Like said already in the customer analysis, the truth is that business relationships reach the maximum potential only when relationship, competences, the service and personal relationships meet.

We come into interesting finding when asked about the strength of the relationship between the customers and account managers (AM). Usually AM's are over estimating the strength of the relationship, but in this case it seems to be other way around. Although AM's get good feedback from the clients, in some particular accounts, AM's feel like the contact person at the clients side don't appreciate his/hers own work.

The contact point on client's side varies between decision makers and non-decision makers depending on the account. Hierarchy changes drastically anything in between of a secretary and a chief executive officer (CEO), but a single point of contact at Company X's side remains even if there would be more than one point-of-contact at client's side. It's dangerous to decide how to divide resources between a secretary, who is still involved in the process without decision making power, and a CEO who has the highest power in the company. In the end company X tries always to cater every need of the customer, regardless of the job description.

When we ask the AM's about the added value they bring to customer they mention administrative tools, freeing time from the customer by taking some of their training tasks and in general about their service. By looking at the paragraph about customer questionnaire we can see that the added value they see is the interpersonal communication and relationship management. Focus is more on a personal level which is again rare as the AM's are usually over estimating the strength of relationship with customer. This being said, if the core competences of the businesses are not in order, including the ones listed above by AM's, personal relationships won't keep the customer loyal and profitable alone.

Current account managers (AM) feel like they have not received training in RLC in account management; however in practice they learn from more experienced colleagues on daily basis. Based on the input the potential training to be given should involve improving management on the public sector rules and regulations and how to further grow these accounts. Other concerns which rise are that the AM's don't have full understanding of their customers business or the scope of the market due to complexity or just lack of experience, which means that the service is harder to customize to meet the needs.

All of the AM's feel that they get enough of constructive criticism, praise and feedback, from their superiors. Just as the customers, the AM's feel that KAM will continue to play a big role in the future.

4.2.3 Managing Director Questionnaire - analysis:

We got a questionnaire filled in also by the managing director (MD) of Company X which revealed that the total amount of actual key accounts is five. The core skills of an account manager in the eyes of MD are ability to take initiative and forecast accurately the direction for future, to build and manage relationships, to keep the strategic contacts in an account, customer service, business knowledge and ability to adapt into changing situations among many others.

The MD is very transparent and admits straight away that personal chemistry plays a role in the relationship between the client and AM, just as it does in the personal life outside the office environment. Also the job position plays a role since depending on the department a person comes from, there's different needs that has to be filled - no reason to talk about human resources to a finance person and a procurement director might want an access to a person higher in the ladder of supplying company than AM. The relationships should be built face-to-face as much as possible, but in the modern world the virtual factor is ever growing.

Added value in the eyes of a MD is the single point-of-contact to client. AM has general knowledge about the client and therefore is equipped to customize the products based on the expertise. By strengthening this relationship AM constantly receives information about the business area of the client, which bring added value to Company X, not only in form of customizing the product to clients needs, but also gaining new leads in the market place for further expansion. This statement is perfectly aligned with customer's view of the added value which Company X brings.

What leads to added value is the market separation from its competitors in the form of customer relationship management. Company X emphasizes and delivers effective communication; this in turn gets distributed through the actions of AM's in all the forms of communication with the customers. AM's are sincere in curiosity and willingness to learn the clients business and the persons involved even deeper.

What comes to training the AM's, the MD reveals that to every account a brief introduction is given, however the AM is given a freedom to manage the account outside of stereotypical frameworks and behavioral models. It seems like there's a small gap here between the AM's and MD's expectations as AM's are feeling that they are not trained in Company X apart of learn by doing approach, so a bit further guidance could be justified.

The MD sums up the future of KAM with this sentence; *“As with all businesses we are influenced greatly by our environment so we have to adapt accordingly the right way. This may impact on the roles of AM's in the future, but I don't see it ever changing the importance of serving our clients whether we call it Account Management or something else.”*

The above statement is agreed and repeated in all three of the analysis so the state of KAM in Company X is healthy.

4.2.4 SWOT analysis on survey results

Below is the above analysis in the SWOT format showcasing strengths weaknesses threats and opportunities after all three analyses are combined.

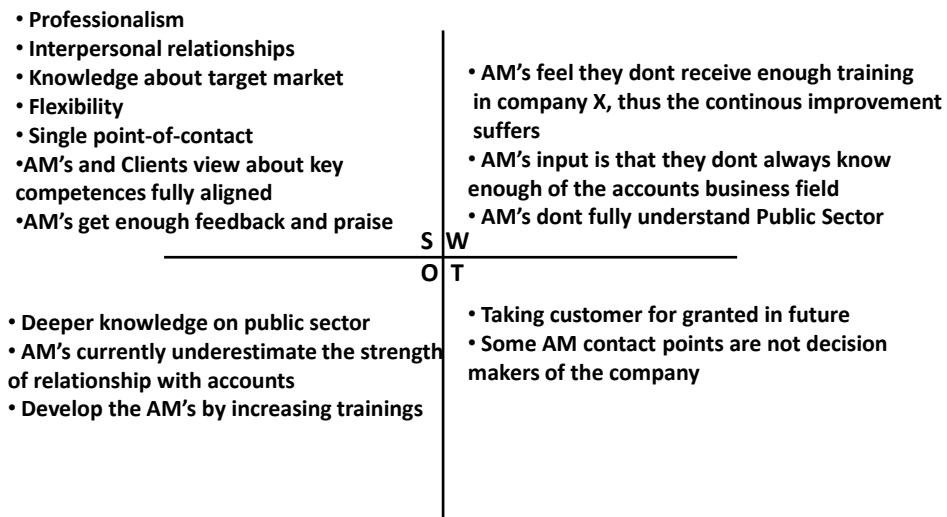


Figure 8: SWOT on the analysis results, Björklund and Neal, 2012

5 Conclusions and recommendations

To conclude this thesis we have established that KAM is viewed as important by the top management at company x, the account managers at company x and the key clients of company x. At the moment all parties are happy with the service and relationships that are ongoing. There were not many suggestions of improvements from any party which participated in the interviews.

However there was a commonality between the account managers feedback regarding training and this thesis would propose that internal training and development would be an area where improvements could be made. The duties of the account managers included internal administration work but this was perceived to be understood. It was regarding the clients industry and local laws that would be taught more.

It seems a brief introduction to a client and their business industry is not deep enough. Giving the account managers more knowledge of each specific industry could be very time consuming and costly as if no one within company x has the knowledge of a specific client industry, having an expert consult-

ant work with the company, even for a short time would cost money and take away from working time.

The pros and cons would need to be weight up to see if this sort of action is worthwhile. If it would open up more business opportunities with a client in the future a bit of investment may be a good idea.

The second part of training is the laws on doing business in the public sector. This entails bidding and submitting tenders for business over a certain amount of money. While all of the account managers know the basic theory of tenders it may be a positive to invest some time in showing how to create tenders more effectively to maximize the potential of winning more account and retaining existing key accounts.

The views of some of the staff at company x seemed to have differing views than those of the Managing Director. This does not mean that each side is right or wrong but it would be good if the views were more inline. This is easily solved by holding a meeting where both sides can put their messages and opinions across and together help the company move forward. For a relatively small company it is important that each staff member have a consistent plan to deliver success.

From the results of this thesis there doesn't seem to be a plan for company x in the long term. At the moment the clients seem very content and so do the case company. But if company x were to lose a client which they have had for several years they may find it difficult to gain new clients to fill the gaps. As stated previously in this thesis customer retention is vital especially with so many competitors in each industry.

This thesis will be available for Company X to view and decide if to investigate and acknowledge the research and recommendations of this thesis.

6 Theoretical Linkage

The theory of this thesis combines with the empirical study in many ways. Case company x use KAM and because they implemented it years ago they are further along in the evolutionary cycle of KAM with some clients. The further steps of evolution can help Case company x with understanding and planning their next strategic moves. Case company x has several Key Account Managers in place and using the theory in this thesis they can compare and contrast the traits of an ideal Key account manager.

Knowing that case company x is always looking to further relationships and gain more business from existing clients, the relationship marketing, buying behavior and operational buying segments are useful for Case company x to take into consideration. All of the theory in this thesis is relevant to the Case Company and combines with the empirical study to help understand the existing situation in the company and ways in which it can reach future targets.

7 Summary

The purpose of this thesis was to investigate and gain an understanding of the current Key Account Management situation in Company x and suggest improvements that could be made to further improve customer satisfaction and potentially lead to more business opportunities. The results found through this thesis will be available to Company x's Managing Director and Key account managers which they can then decide if to use them or not in future development discussions and practices. The results were generated through qualitative questionnaires completed by Company x's Managing Director, Account Managers, and contact personnel within their Key accounts. Feedbacks from the Key accounts were situated in the Helsinki metropolitan area and operate in both public and private sectors. The questionnaires used for each group of people were personalized to give the most effective and accurate results.

The results from them client interviews showed that in their opinion, Company x operates at a very high and professional level. The factors that made the service successful was that the key account managers are easy to communicate with and flexible when needed. Overall the clients interviewed all saw key account management as a very much appreciated service. There was no clear answer as to what the clients feel company x could improve, however they did expect the high level of service to continue into the future.

The feedback from the current account managers at company x all agreed that the main skills needed are good listening techniques, good communication skills and knowing how to meet the needs of the clients. Company x has an online system which is integrated into the everyday work life of the clients and this enables communication to be more efficient on both sides.

From previous experience key account managers could be expected to rate their relationships higher than the client perceives them, but in this case the account managers rather underestimated themselves. Some common themes throughout the account manager's feedback was that they have not received training from company x in the field of KAM. Although the account managers all agree that they receive enough feedback from the superior management at company x, they learn by doing their job on a daily basis. They also could use more of an understanding of on how to gain business in the

public sector by learning the laws and rules. Also having a deeper understanding of each client's industry could help them discover more needs and potentially strengthen relationships.

The interview with the Managing Director (MD) of company x would suggest that perhaps their expectations and views on account management may exceed that of the account managers or perhaps they did not answer the questionnaire as fully as the MD. This is apparent when asked about the key skills needed to be a successful account manager, the account managers gave two or three points where as the MD gave the following more detailed description.

“The ability to take initiative and forecast accurately the direction for future, to build and manage relationships, to keep the strategic contacts in an account, customer service, business knowledge and ability to adapt into changing situations among many others.”

Regarding training the MD makes sure that the account managers are given a brief introduction to the clients and business area and are then allowed to manage the accounts “outside the stereotypical frameworks and behavioral models”. When comparing this to the account managers feedback they may feel differently as to if this brief training is sufficient to maximize their business potential with the client.

The future of KAM according to the MD will always be to evolve and meet the ever changing needs of the clients. This evolution may be called KAM in the future or not but company x will make sure they offer the right services when needed.

7.1 SWOT Analysis of Key account management theory

As part of our study we have made an analysis of key account management theory which is shown as a SWOT analysis below.

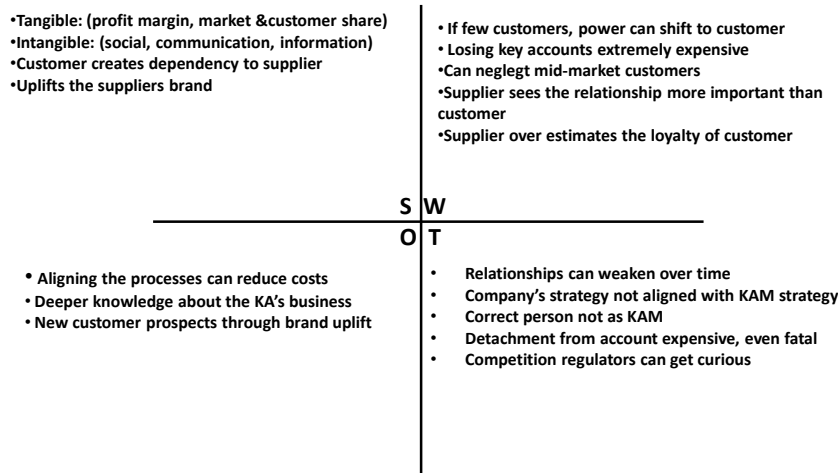


Figure 9: SWOT, Neal and Björklund, 2012

7.1.1 Strengths:

The benefits of KAM program to supplier are both tangible and intangible. Prime example of the visible benefits of well working KAM program is increased profit margin together with increase in market and customer share (Al-Husan and Brennan 2009). Intangible benefits are the social relationships between customer and supplier which create trust, and will ultimately result in good communication and information sharing. When the above are in place the supplier will see the benefit of KAM in practice as the purchase intentions grow and the willingness of changing supplier decreases. Good relationships will in turn also affect the business indirectly in the form of customer's referral through word of mouth marketing (Al-Husan and Brennan (2009).

Ojasalo (2001, 207) states in his "Model of customer benefits in business-to-business relationships" that products and services are often the main reason why a customer focuses on certain supplier. By sticking to the same partner in B2B business relationships, information, product mix, tailor made services, security and social relations are guaranteed to improve as a result and further boost the profit margin. Information on the above should be read as the data the supplier and purchaser are sharing about their selves, about their competitors and potential new customers. Customers, both potential and existing, bring security into the business by decreasing the uncertainties, as without customers

there are no businesses either. Longer the business relationship the fewer purchasers need to control the KAM's which results both in monetary and time savings - and vice versa. If there's no significant improvement in the above mentioned areas, the business is not adding enough value to either company involved.

Also Storbacka (1999, 75) notes the information sharing as one of the benefits coming from KAM. By this he means personalized account plans, sales personnel, technical service, and customer service to name the few. He also (1999, 76) brings the financial arrangements to public as one of the key benefits. These are for example longer payment terms between the companies to increase the liquidity, invoice automation and invoicing in periodical basis instead of per transaction.

7.1.2 Weaknesses:

It's quite hard to find literature of the weaknesses as everyone seems to simply focus on the benefits; however Piercy and Lane (2006) has drawn attention to the possible dangers of close relationships in KAM relationships.

The theoretical approach that 20% of customers bring 80% of profits creates in fact immense dependency of the relationship. Too heavy KAM on too low number of customers therefore gives the power of the relationship to purchasing company, as they know that supplier needs them heavily. Therefore if the customer chooses to demand price reductions and act dominantly towards the supplier, the customer in fact will not be so profitable anymore as earlier. In the literature of Piercy and Lane (2006) it is said that the biggest challenge is to find the balance in between the key customers and other potential key groups. By succeeding in this the company is on healthier basis to detach from the key accounts if something critical should happen.

Strong emphasis on KAM might also result in neglecting the potential in already existing prospects in the middle market that are already highly profitable but not investigated further. The emphasis of the current analysis resides too strongly on the already existing KA's and new emerging customers (Husan and Brennan). A figure from Piercy and Lane (2006) below shows typical customer types which illustrate the size of the middle market.

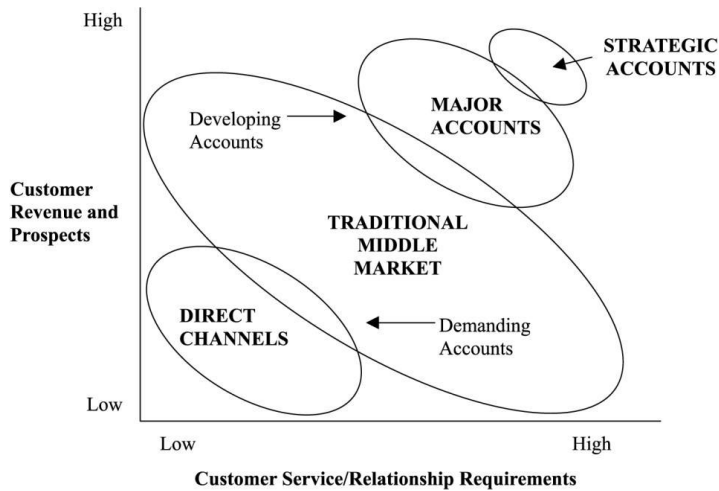


Figure 10: Mapping customer prospects and relationships, Piercy and Lane, 2006, p. 21

Furthermore Piercy and Lane (2006) mentions the need for suppliers to appreciate the built relationship, and to reach the requirements of seller-buyer relationship constantly. Typically supplier wants closer relationship than the buyer, and if the relationship is not aligned (figure underneath) it causes conflict in supplier's side and frustration in the purchasing side. The supplier must not over estimate the relationship and loyalty level of customer either as the investments might not get returned in profit. The customer might shift focus to other products and therefore forced to even change supplier, which again underlines the importance to have wide enough account base to ensure long lasting business model (Piercy and Lane 2006).

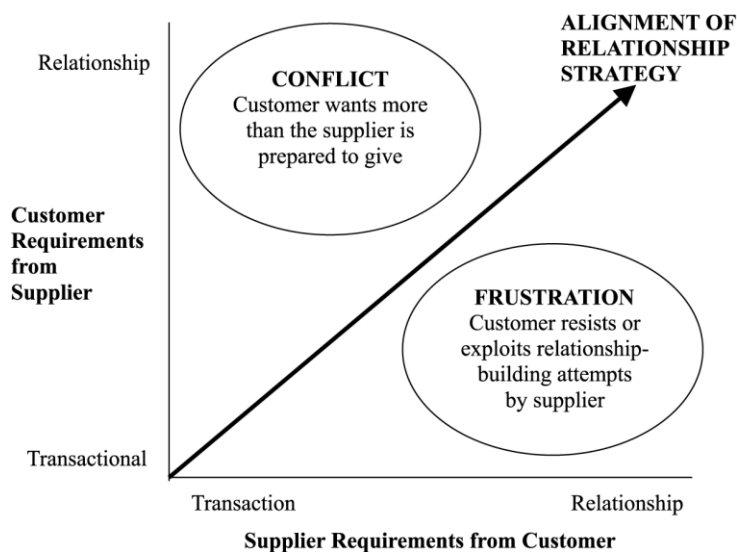


Figure 11: Customer and supplier relationship strategy, Piercy and Lane, 2006, p. 22

7.1.3 Opportunities:

Knowledge, information and data collection are important to be able to measure the KAM activities. The measurements should be then further pursued by analyzing the data. After the initial analysis the correct IT-tools should be picked to ensure they are fit to the needs of the relationship. (Zupancic 2008).

This can serve as an opportunity or a threat, but by aligning processes in a deep relationship both can achieve savings in the form of shared processes, integrated systems and even joint ventures.

7.1.4 Threats:

Wilson (2006) notes that relationships might weaken within period of time or even stops existing, which puts an emphasis on acquiring customers. With narrow scope of customers long-term revenue is not ensured and therefore too heavy focus on KAM is also dangerous.

If KAM strategy is not integrated to the corporate strategy and highest management, the direction of relationship might not be aligned with company's goals and therefore the fixed asset costs are not used as effectively as possible. Spencer (1999) and Zupancic (2008) highlights that entire organization needs to be aware of the corporate strategy, but not of the KAM strategy. If these two strategies are not aligned, neither are the company's goals and the service level agreements with customer are harder to meet.

If the correct people are not working in the correct position, the growth and success of KAM is not maximized. The account needs to be identified and analyzed, to be able to pick correct persons with right set of competencies to drive the relationship further. The account manager needs to be also supported by the company with further trainings, developments and insight to the customer's field of business (Zupancic 2008).

Piercy and Lane (2006) also might alert the competition regulators as closer relationship brings more detailed information sharing as well. This can result in seller giving knowledge advantage to customer with an expense of other customers. Additionally, too close relationship and building the business model around too few customers, might also end up either in losing all the company, or the company going bankrupt if the detachment is public one. Losing key account creates high additional costs in

the form of discontinuing all the shared processes, integrated systems, moving to people involved to new positions and to create all these organizational changes to a new key account.

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Attachments

Questionnaire - Client

Company X - Questionnaire regarding Key Account Management skills *Client*

Brief: By filling in this questionnaire you are helping two Laurea Business Management students completing their thesis on key account management, and at the same time providing important input on the state of service you are receiving currently from company X. Therefore we would like thank you already in advance for investing time in this, and we will in exchange deliver return on the investment by giving improvement topics to company X. Once you have completed the questionnaire, please send it to us by email.

1/19/2012

Company X

1. In your opinion what core skills do you see as essential in effective key account management?
2. How often are you contacted by the company X key account manager? Do you see it as sufficient?
3. Which communication methods are used between you and company X's key account manager? (Face to face, social media, phone calls, emails, other)
4. How would you rate the strength of your relationship with your company X key account manager? (Scale 1-10 1= weakest 10= strongest)
5. Relating to question number 4 - How could the relationship be improved? What are your expectations?
6. Do you see the individual influences (such as age, education, job position and personality) affecting the relations of company X's key account manager?
7. What are the best/worst experiences with company X's key account manager?
8. What added value does company X offer you with a key account manager in place?
9. What in your opinion sets company X apart from its competitors in general, and in terms of key account management?
10. How do you see the importance of KAM in the future? Do you see it as a valuable asset of company X?
11. Any other input which would be beneficial to us?

Questionnaire - Account Manager

Company X - Questionnaire regarding Key Account Management skills *Account manager*

Brief: By filling in this questionnaire you are helping two Laurea Business Management students completing their thesis on key account management in Company X. Therefore we would like thank you already in advance

for investing time in this, and we will in exchange deliver return on the investment by giving improvement topics to company X. Once you have completed the questionnaire, please send it to us by email.

1/19/2012

Company X

- 1) How many clients do you manage?
- 2) What do your duties as a key account manager involve?
- 3) How long have you been a key account manager? at RLC?
- 4) In your opinion what core skills do see as essential in effective key account management?
- 5) Have you received any training in regards to managing accounts?
- 6) Would you like training in this area? What aspects of key account management would you like to improve personally with training?
- 7) How often do you contact your clients? (Face to face, social media, phone calls, emails etc?)
- 8) How would you rate the strength of your relationship with client? Scale 1 (weakest) -10 (strongest)
- 9) Why this number, how could it be improved?
- 10) How do you build relationships with your clients (dinner, phone calls)?
- 11) Do you see the individual influences (such as age, education, job position and personality) affecting your relations with the key account?
- 12) What are your best/ worst experiences as a key account manager?
- 13) Which positions are your contacts in the client company? Are you involved with one or more persons from your client/s?
- 14) How many of your contacts are the decision makers for the client?

- 15) What added value can RLC give to the client by assigning account managers?
- 16) How would you define the deference between a key account and any other account?
- 17) In your opinion what sets RLC apart from its competitors in general and in terms of key account management?
- 18) How well you understand the industries of your key accounts?
- 19) Do you think that your knowledge is enough to maximize the profits with the client?
- 20) How do you measure the profitability of the account?
- 21) How often do you present results of the account to senior management?
- 22) Do you get enough praise or constructive criticism based on the results?
- 23) How do you see the importance of KAM in the future?
- 24) How do you see your key accounts in the future?

This questionnaire is confidential and for use of the intended recipient(s) only. Unauthorized use or treatment of all or part of this message is strictly prohibited. Unintended recipients: please notify the sender and delete the original message, any attachments and any copies from your computer immediately. Thank you.

Questionnaire - Managing Director

Company X - Questionnaire regarding Key Account Management skills
Managing Director

Brief: By filling in this questionnaire you are helping two Laurea Business Management students completing their thesis on key account management in Company X. Therefore we would like thank you already in advance for investing time in this, and we will in exchange deliver return on the investment by giving improvement topics to company X. Once you have completed the questionnaire, please send it to us by email.

1/19/2012

Company X

- 1) How many Key Account clients does RLC Helsinki have?
- 2) In your opinion what core skills do see as essential in effective key account management?
- 3) Have you offered any training in regards to managing accounts?
- 4) How often do you expect your Account managers to contact their clients?
- 5) How does RLC build relationships with their clients (dinner, phone calls)?
- 6) Do you see the individual influences (such as age, education, job position and personality) affecting relations between account managers and clients?
- 7) What added value can RLC give to the client by assigning account managers?
- 8) What Criteria does RLC use to define a client as a Key Account?
- 9) What in your opinion sets RLC apart from its competitors in general and in terms of key account management?
- 10) How do you measure the profitability a key account?
- 11) How often are you presented with results from Key account managers?
- 12) How do you give feedback to your account managers?
- 13) How do you see the importance of KAM in the future?
- 14) How you see RLC's key accounts in the future?
- 15) Any other thoughts worth mentioning?

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