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DEVELOPING KEY ACCOUNT MANAGEMENT PRACTICES FOR  
A CASE COMPANY

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The purpose of this thesis was to introduce key account management practices for a case company that operates in marine and power plant industry. The case company sells auxiliary units, spare parts and maintenance services to customers that either own or participate building, operating and maintaining large ocean vessels and power plants. The size of customers ranges from large corporations to small and medium sized enterprises.

Key account management practices and customer categorization models were the main focus in the theoretical part. These were identified as parts of customer relationship management context. The theoretical framework was built so that customer categorization is a supportive function for key account management.

This thesis was conducted as a case study, using a mixed research method. The quantitative secondary data was collected from the case company enterprise resource planning system and from various other datasets that were in table form. The quantitative data was used in the questionnaire and as an attribute in the categorization models. The questionnaire was used to collect primary data from the case company managers and employees working in new sales and after sales departments. In the questionnaire, the respondents evaluated the ten most profitable customers of the case company from different perspectives, gave their opinions about key account management and selected three key accounts for the case company.

The result from the questionnaire and from the categorization showed that one customer was evaluated above others in each categorization model and selected by each respondent as a possible candidate to be a key account. In addition there were few other customers with similar potential.

The opinions about key account practices revealed that most of the respondents are somewhat aware of what key account management and customer categorization mean. However few of the responses were lacking length, which made it difficult to analyze the answer. However most of the respondent made it clear that key account management would be a beneficial process for the case company and that the case company already employs people who could work as a key account manager. This with the fact that the respondents agreed on few possible key accounts, creates a base where the case company could start to plan its key account management operations.

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## LIST OF ABBREVIATIONS

KAM	Key Account Management
CRM	Customer Relationship Management
ERP	Enterprise Resource Planning
ECM	Electronic Content Management
BI	Business Intelligence
B2B	Business-to-Business

## 1 INTRODUCTION

Customer categorization and key account management (KAM) are part of customer relationship management (CRM) framework. Customer categorization is used to rank and group customers based on different attributes that are created from quantifiable data or qualitative elements. Categorization model determines which attributes are used and what are the different categories. Typically, one model has several ranked categories which enable an organization to see where it should focus its resources that benefit the customer relationship.

Some customers which are more valuable than others are considered key accounts and this means that they should receive most attention from an organization. However, key account management (KAM) is a very resource demanding process and therefore an organization should only have few key accounts. Employees who work in the seller's organization maintain key accounts. These persons are usually from the organization's sales force and manage one or multiple accounts. Key account managers require special set of skills as they are expected to be coordinators in the customer relationship and persons who coach others. Depth of the customer relationship can also be viewed as a lifecycle, where each stage change how both organizations interact and what is the role of the key account manager.

This research is done for a case company which strategic approach is to become more customer oriented and therefore this topic has been selected as a key strategic initiative (KSI) by the case company executive team. Purpose of this research is to study customer categorization models and key account management practices. Objective is to complete the KSI and increase expertise and knowledge of both the case company and the researcher. This is done by introducing models for customer categorization, identify what type of principles there are for KAM and present how the case company could benefit from this type of development.

Different customer categories are identified based on a customer categorization model. Data for categorization is collected from the case company enterprise resource planning

(ERP) system. Practices for the case company KAM are created by collecting information from relevant literature and by interviewing the case company sales force.

## 2 PURPOSE AND OBJECTIVES

Saunders, Lewis & Thornhill (2007, 133-134) introduce three ways to categorize a research purpose: exploratory, descriptive and explanatory. **Exploratory** research explains new or less known events or it takes a new perspective to view a specific event. **Descriptive** research is used to get an accurate description of an event, a person or from a situation, however it should be considered more a part of a research than a research itself. In **explanatory** research, focus is to find out the reason-result relationship between variables in an event.

This research can be considered exploratory since the case company does not have a process for customer categorization or principles defined for KAM. It is the purpose of this research to identify key customers and establish general principles how to manage key accounts in the case company. Reason is that the case company has decided to pursue more customer oriented position and has therefore assigned KAM as one of its KSIs. By taking a more proactive stance towards its most important customers, the case company aims to strengthen the customer relationships and thus bring value to the customers and itself.

Objective of the categorization process is to enable the case company to target its resources better, it enables to separate customers that has less potential from those with greater significance. With this process, the case company has the ability to view of the current situation of customers but also how their performance has been in the past and what kind of future could be expected. Using qualitative and quantitative data, the view to each customer is more complete than just using one type of data.

Objectives of the KAM principles are to bring knowledge to the case company and its sales force and introduce its general aspects like personnel requirements, effects of

different relationship lifecycle steps, digital system support. When the company knows what type of persons are mostly required, it can use the knowledge to train current personnel and gives better capability to recruit persons with required attributes to the company. Target of the lifecycle analysis is used to identify case company's current KAM position which can be considered important information if starting to develop customer relationship to a deeper level. Even though digital systems are only a small part of the process, they play essential part when personnel process customer relationship material. Therefore, it is required to identify if the personnel working with customers, think that there is enough support from digital systems and what kind of improvements they would want.

### 3 RESEARCH METHODS

This research is a case study which uses both qualitative and quantitative research methods. Reason to select both methods is that in order for the research to reach the best possible outcome it requires both quantifiable data from the case company ERP system and qualitative information from case company employees.

#### 3.1 Case study

As stated by Eriksson & Koistinen (2014, 4-8) case study is more a strategy or an approach than a method since it is considered multiform, used in many different areas of research. Starting points and objectives can vary depending on the topic of the research which can be for example a development event in an organization. Context of the studied case is affected by different actions that happen outside the case boundaries. In order to make the case understandable, the researcher is required to study the context around the case. In addition, case and different layers of context and the processes within the context are in bidirectional interaction meaning actions in context effect the case and vice versa. Layers which are closer to the case have more effect to it while layers that are further away have less effect.

The research case can be identified being a part of the case company sales strategy which is the layer around the case. Sales strategy includes strategic initiatives and performance indicators which have an effect to the case. In addition, this layer includes personnel from sales and project management processes who work in the customer interface and are therefore considered in the same layer, even though part of them are not working in the after sales process. The next layer includes the case company, other core and supporting processes and other company personnel. It is to be noted that the context layer presentation is a simple way to introduce what interacts with the case. In reality the relationships with the case functions and its layers are more complex, multi-threaded and not static.

As stated by Yin (2012, 7-8) there are four different approaches for case study that have one or multiple contexts and one or multiple embedded units of analysis.

This study can be defined as embedded single-unit of analysis that has one context and multiple units of analysis. Context is made from two layers; internal which includes the company personnel and sales strategy and external layer that includes the case company, other processes and other personnel. Context surrounds the research case that contains the embedded units of analysis: customer categorization process and KAM. Since customer relationship management (CRM) is a wide topic, the research of it is limited how it defines customer categorization and KAM. Research is performed within the case company sales process which creates boundary to the case and separates it from the context. Other boundaries are created by categorization and KAM process implementation. Customer categories are introduced to management before deployment.

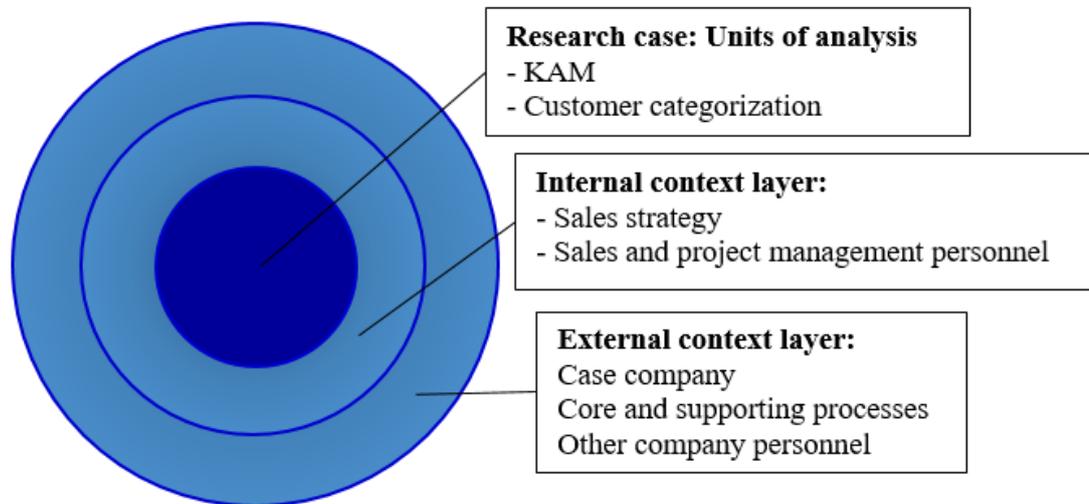


Figure 1. Case context layers

### 3.2 Mixed method research

Vilkka (2015, 61-63) introduces quantitative research method as a way to collect numerical data by using questionnaire, systematic observation or registers and statistics. If research data is collected from registers, the researcher is required ensure validity and reliability of the register, practice source criticism and be able to tell how it has been formed. Heikkilä (2014, 28-30) adds that researcher is also required to be objective towards the research and aim to create useful and open research efficiently and on-time while ensuring privacy of individuals and that no commercial secrets are revealed.

Vilkka (2015, 75-77) continues by introducing qualitative research method. In this type of research the purpose is to analyze meanings which are born either from individual experiences or group conceptions. There are three major perspectives to a researched subject: context, intention and process. **Context** introduces research conditions when data was collected and it describes how research is linked to different general social, cultural or professional elements. While collecting research data, researcher needs to analyze **intentions** of examinee to identify meaningful signs. Research **process** considers length of a study as it effects how well researcher is able to understand studied subject.

Saunders, Lewis & Thornhill (2007, 146) introduce mixed method research a type that uses both qualitative and quantitative data but data collection and analyzing techniques are kept separate which is different than in mixed-model research which combines techniques. Advantages of selecting both methods are that they can support each other to ensure that key points are being handled and that it enables the researcher to use multiple approaches to gather research data which is also called triangulation. Vilkkka (2015, 47-48) adds that triangulation which combines two research methods increases the coverage and thus reliability of the study but it requires more resources and skills from the researcher to get the desired benefits. However, using triangulation requires consideration since the way the data is going to be analyzed effects, can multiple methods be used.

This study is a mixed method research using both qualitative and quantitative research methods. Quantitative method is used to gather numerical data from case company ERP system, from various Excel documents and with a questionnaire from selected employees of the company sales force. Numerical data from the ERP system and Excel documents includes dimensional data which are customers and fact data that are sales order and sales invoice values, material costs from purchase invoices, direct and indirect work costs and quality related costs from customer reclamations. Data is processed separately but combined for analysis. Purpose of the quantitative data is to show how different customers perform in different categorization models. Qualitative data is gathered from the same respondents, using the same questionnaire but the information is analyzed separately. Purpose of the qualitative data is to give a meaning how respondents think about the key account management and its aspects in the case company. In addition, the data is used to determine how important qualitative indicators such as customer attractiveness, strategic value and potential are seen when measured against numerical indicators like cost-to-serve and profitability.

### 3.3 Data collection

Research requirements define which type of data is required, primary or secondary. Primary data does not exist so it has to be collected by the researcher. Secondary data is already available and most cases it can be considered to be more reliable, comprehensive,

easier to use and having better validity than primary data. However, there is a risk that data does not match the requirement of the research, it can be outdated, lack coherency or have poor coverage (Adams, Khan, Raeside & White 2007, 107; 117-118.) This research used both quantitative secondary data and quantitative and qualitative primary data as its main source of information. The reason is that using only one type of information would have left part of research questions unanswered or the answers would have been inadequate, leaving the research less comprehensive.

Questionnaires are a way to collect primary data. This technique can be used as self-administered where respondents fill out predetermined questions or interviewer administered where the interviewer is in contact with the respondents and registers the answers. Questionnaire type effects what kind of answers respondents are likely to give, how many will respond, what type of questions can be used, what is the distortion of answers, or how likely it is a person of interest will respond. Questionnaires are used to collected variable data which can be categorized to opinions, behavioral data or attributes of individuals. (Saunders, Lewis & Thornhill 2007, 356-362.)

Questionnaires should be kept short and questions should be clear so it is easy to fill but also that it is easy to return. However survey that has qualitative questions, increases complexity of the model (Adams, Khan, Raeside & White 2007, 130-132.) Survey questions can be divided into open and closed. Open questions are used to gather qualitative information like meanings. Closed questions are used to collect quantifiable data by giving the respondent a predefined set of choices. Question type defines how the respondent is asked to operate the closed question. (Saunders, Lewis & Thornhill 2007, 368-369; Adams, Khan, Raeside & White 2007, 132-134.)

In this research, secondary data was collected from the case company's ERP system and Excel tables that have part of the cost data. The customer register and transaction data is in digital form in the case company's ERP system. Data is input to the system by the company sales force and employees who work as sales support according to events that happen in the customer interface. For this research, data from the case company ERP system was exported into separate datasets by using reports made by the researcher. After

this, the transaction data was validated against the actual events in the ERP. Customer identification number which is found from both datasets, was used to conduct cross reference searches which links the customer information to the transaction events. Because both after sales and project sales business units share same customers, the transaction data was combined even though the activities of these business units are quite different. Part of the costs figures which were in various Excel tables that were sent to the research by the finance department of the case company. These tables were processed to a single dataset prior to the data analysis.

Quantitative part also included a questionnaire to the sales force employees and sales management. In the survey, respondents were asked to rank customers based on strategic value, business attractiveness, relationship difficulty, relative strength and unrealized potential. Persons evaluated ten customers from a list of ten pre-selected customers. Customers were selected to the pre-selected list based on total net profit value they generated 2015-2017. The profit was calculated from both project sales and after sales business unit activities. It must be noted that because project sales invoice and order values are generally higher, it meant business unit shared customers were ranked higher in the pre-selected profit value list. However, this was necessary because at this stage it would not have been beneficial for the company to build separate categories for business units' customers. Still, there were enough pure after sales customer's in the list because there was only few high value project sales customers.

It must be noted that the case company has hundreds of customers and because the pre-selected list only included ten of the most profitable from the past three years, it is possible that some of the customers are no longer relevant for the company. This also meant that some customers that could have had higher potential for profit or are otherwise very interesting were not included in the list. To make it possible that some of these customers could be included in the analysis, the final chapter in the questionnaire enabled the respondents to select three key customers of their choice. This option was to regard customers which the sales persons see that have key account properties.

Qualitative method was used to identify how important employees in the sales force and sales management see customer's strategic value, business attractiveness and long-term potential compared to the numerical transaction data. Purpose was to conduct an interview that would be combined to the questionnaire so that respondents would also work as interviewees. Persons were asked to justify their opinions, views and selections so that besides numerical data there would be reasoning that support the given rank. In addition, respondents were asked questions about key account management: what it means for them, how they see it fitting to the case company's operations, qualities of a key account manager and do they see does the case company already employ potential key account managers. Reason to ask opinions about KAM was to find out how well the respondents know about it and how does their answers differ from each other and from the theoretical perspective of KAM.

Link to the questionnaire was sent to the respondents during summer 2018. The questionnaire was made available in digital form in Finnish and English language. To increase trust and ensure higher response rate, anonymity was emphasized. During this time, the researcher was present in the case company to answer any questions the respondents' might have had.

### 3.4 Data analysis

Saunders, Lewis & Thornhill (2007, 406) state that purpose of quantitative data analysis is to transform raw data into a useful information which is presented by using different techniques such as tables and figures. Saunders, Lewis & Thornhill (2007, 408-11) continue that it is important to know what type of data is collected and what is the difference between data types. For example, continuous type of data can be any number with a relative difference but interval data doesn't have relative difference. Numbers can be presented for example in a simple data layout where variables are presented in separate columns while cases are presented in rows.

Quantitative data which was exported to tables from the case company's ERP system is considered continuous. Customer identification number in the data table is considered a

case which was used to create data relationships to fact tables. Data relationships were used to aggregate data of sales invoice values, purchase invoice costs, material costs from stock events and work hour costs and customer reclamation costs. Profit was calculated by deducting aggregated costs from aggregated sales invoice values. It must be noted that since some of the projects in the case company take long time to complete and the period in the analysis was limited to three years, it is likely that all figures are not entirely accurate. Mainly this had an effect to project sales customers and had less impact to after sales customers where the business is more rapid.

All business sensitive data like sales figures and actual names of customers that are exported from the case company ERP is considered confidential and therefore not shown in the public version of this report.

Customer categorization questionnaires results were imported to a table and processed to visually better shape. These results are interval data. For each customer an average value was calculated from given responses in each categorization question. Customers and respondents were given an identification tag, making them anonymous in the public version of this research. Customers which in the categorization table are cases were tagged with an identification letter “C” following a running number, for example the first customer was marked as “C 01”. Tag for respondents which are considered variables started with a letter “R” and ended to a running number, for example the first respondent was marked as “R 01”. Identification tag remained same for each customer and respondent so comparing different customers was possible.

Each of the ten customers were ranked according to their score to each selected categorization models according to the definitions of the model axes. Since there were two axes in each model, two values were required to rank customers in the models. Customer’s identification tag background was colored which eases visual identification of each customer. The accurate position of each customer in each model was done with a small and entirely black round shape. To avoid overlapping, some customers were positioned further from the actual ranking point but they were connected to the point with a line that ended to a small black round shape.

Position of the tag in all except one model was defined either by an average value from a categorization question or a value calculated from customer's profit figure. Profit value was fit to the model so that the score of 5,00 was set to a point where the most profitable customer is close. Coefficient was created from this level and by using it, each customer was given a profit score, this way no customer receives higher score than 5,00 which would make it exceed the matrix limit.

Horizontal axis that defines relationship strength in Fiocca's second model was the exception mentioned in the previous paragraph. For this axis, customer's total sales value 2015-2017, proportion of all sales from that period, location of the customer from the case company's perspective and age of relationship were calculated to define the position in the model. Sales values were calculated with a similar coefficient process as the profit. Location was defined so that score 5,00 was given if customers main operations from the case company's perspective are in Finland, 4,00 if they are in other Nordic countries, 3,00 if in Europe and 2,00 if in the rest of the world. Age of the relationship was defined when the customer has been input to the company's ERP system. Those created earlier than when the current system was launched which was in 2004, receive a score of 5,00, if the customer was introduced before 2010 it received a score of 4,00, those which were introduced before 2015 received a score of 3,00 and the rest 2,00.

Hirsjärvi & Hurme (2015, 143-144) state that more questions arise when collected material is read multiple times. Also getting familiar with the data makes it possible to create better analysis. There are two general stages when working with qualitative material. The first phase is analysis where material is fragmented and then classified. This is followed by synthesis phase where material is re-assembled and interpreted from new perspective. Ruusuvuori, Nikander, & Hyvärinen (2010, 392) point out that it depends from research topic, research equipment, researcher's style and research target how collected material is classified, analyzed and interpreted. Each step is required but how steps are emphasized can differ.

Since the questionnaire qualitative data was already in a table form, it was already categorized by respondents. Some of the questions were long and complex, therefore it was important to identify comprehensiveness of answers since it was expected they provide more information. Secondly, each response was studied and compared how well it responded to the question. In addition, questions which had direct relation to theory were analyzed by how well the responses match with opinions presented in the theoretical part of this research. Also, in all of the questions where it was possible, content was analyzed so that responses were quantified. By quantifying this information it was possible to categorize the responses to different groups.

### 3.5 Empirical process

Empirical research process starts by collecting all direct and indirect costs and revenues that can be related to customers. The information is gathered from the finance departments of the case company and its one subsidiary. Part of the information is gathered from the company ERP system. All data processing is done in Excel which is used to report sales, profit or loss of the customers. This data is used in the customer categorization models where attributes require this type of information.

Top 10 customers that have highest profit from the calculating period are included in a list, which is presented to the questionnaire respondents. The questionnaire is used to gather both quantitative data for customer categorization and qualitative information for KAM practice analysis. Quantifiable data is required for some of the attributes in the categorization models. Qualitative information is analyzed to identify respondents thoughts on KAM and how the respondents think it should be operated in the case company.

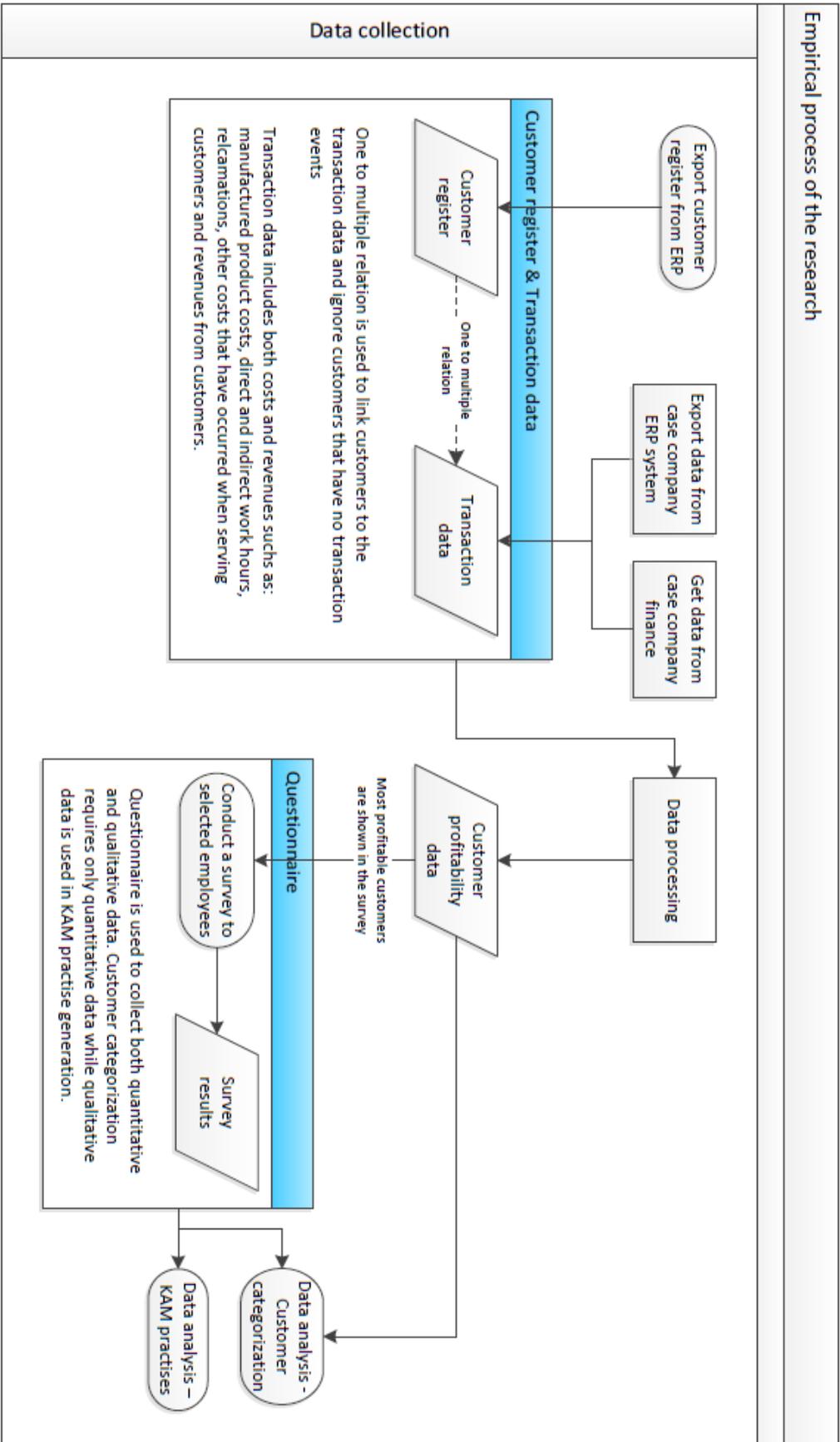


Figure 2. Research empirical process

#### 4 THEORETICAL FRAMEWORK

The case company sales process, sets boundary to the research. Within the sales process there is CRM theory which defines different aspects of CRM. Within this, there is a two-tier pyramid that first introduces customer categorization and then key account management principles. Relevant literature defines the best categorization models which are each tested by using the data that is gathered from the case company. Different attributes include quantitative values like profitability and order intake and qualitative elements like customer attractiveness, strategic value and relationship strength. By ranking the customers to the selected categorization models, shows how they compare to each other and the case company can see which customers can be considered important. Relevant literature is also used to define different practices of KAM. These that are used to create questions for the questionnaire which results help to identify KAM practices for the case company.

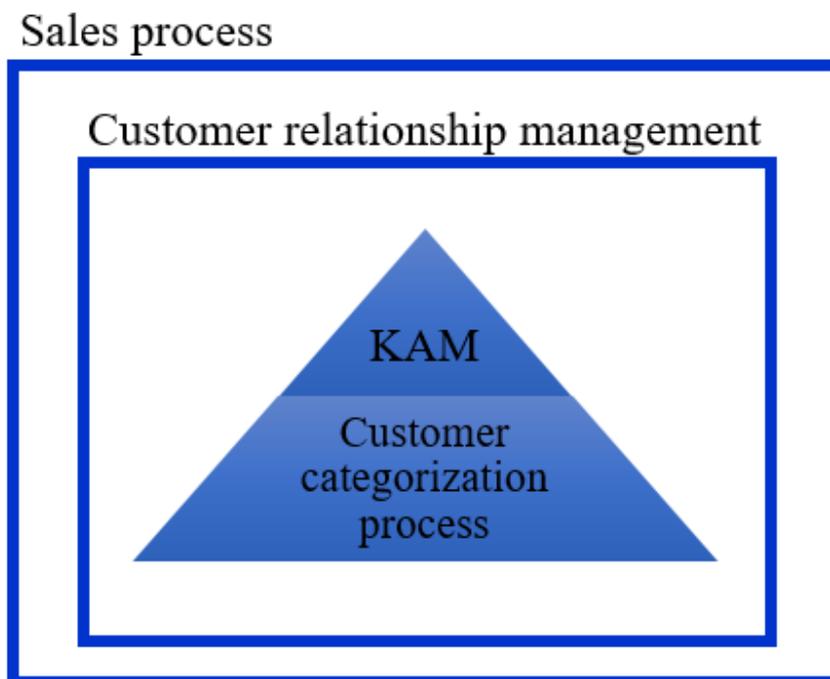


Figure 3. Theoretical framework

## 5 CUSTOMER RELATIONSHIP MANAGEMENT

Buttle (2009, 15) states that instead being just an IT project, CRM is a core business strategy that uses technology to manage customer interface, that enables company to make profit by delivering value it has created. Information about customers is nowadays critical as many companies' customers are spread geographically and might have different cultural background. Raab, Ajami, Goddard & Gargeya (2008, 2-3) propose that implementing CRM practices and by adopting position in different markets, understand differences of markets and learning from customers in different markets, organizations can reach competitive advantages.

According to Buttle (2009, 4-5) CRM has four different domains: strategic, operational, analytical and collaborative. **Strategic CRM** emphasizes organizational culture that is customer oriented. This type of organization collects and shares customer information, makes actions that increase its value proposition to its customer, encourages employees customer-oriented behavior and fits to competition and customer requirements.

**Operational CRM** is about automating and developing the processes in the customer interface. This is the area of CRM technologies such as marketing automation, sales force automation and service automation. In marketing automation, technology is integrated to marketing operations which eases single and multi-channel communication with customers. Automating sales force operations, supports selling activities, such as management of opportunities and contacts, lead development and product identification. Service automation uses technological approach like CRM system to enhance communications by reducing costs, improving quality and increasing customer satisfaction. Large machinery require different service automation approach as local support by technician is usually required. Technician can use laptop to access CRM system which provides updated service manuals, diagnostic tools and job description. (Buttle 2009, 6-9)

**Analytical CRM** uses internal and external customer data which enables ranking customers for example by their value and loyalty. Internal data includes recorded information on purchase, payments, marketing and service history. Demographics and

lifestyle are examples of external data. This information is used to support operational CRM for example by giving analysis what should be offered to which customer and which customer to serve first. **Collaborative CRM** is a method to share CRM information with partners in the supply chain network by using different communication technologies to reach better customer service. (Buttle 2009, 9-11)

### 5.1 Customer categorization

Since relationship is built between individuals, identifying individual customers is essential in CRM. This enables making different decisions than what competitors do, to increasing customer value (Peppers & Rogers 2010, 103.) Peppers & Rogers (2010, 106) suggest that customer identification should begin by collecting information a company already has after all own data has been sorted and plan how additional information could be acquired. Peppers & Rogers (2010, 111-112) add that in business-to-business (B2B) relationship, supplier needs to identify who in the customer's side makes the final decision about the purchase and who uses the product. This kind of identification can be difficult to do, but there are ways such as: active participation to different events, meeting the customer and providing value that brings out the key persons from the customer side.

Customer current value is calculated by deducting costs from revenues while long-term value is analyzed how the customer views the supplier, changes in the customer's own requirements and external events. Customer actual value can be misleading if a company does not analyze possible future scenarios, which might change behavior of the customer and thus change how the company values the customer (Peppers & Rogers 2010, 122-124.)

To visualize how customers can be analyzed by potential and actual value, Peppers & Rogers (2010, 139-140) introduce a customer value matrix where customers are grouped to: most growable, super growth, low maintenance, most valuable and below-zero, as shown in figure 4. **Most growable customers** have high potential to bring more value to the company but since these customers are the most valuable customers of competitors, their value is not yet realized to the company. These customers can be identified by high

profit and large volume. **Most valuable customers** have less unrealized potential but they bring large volumes, high profits, are loyal and cost less to serve and are therefore important to be retained as customers for the company. In addition, it is likely that the company has high share of customer's purchases. There are usually only few **super growth customers** for a company in B2B context, usually these are very large enterprises which provide high value but also given their size, have high potential to bring more business to the company. It is notable that since these types of customers identify their value in the business relationship, they can use this to bargain and reduce company's profits. **Low maintenance customers** should be retained even though they have low value and low potential, but since there likely a lot of them, it requires the company to lower the service costs for example by automatizing different actions to increase profits. **Below-zero customers** have higher cost to serve than the actual value they bring even though the company makes different actions to make them more valuable. In B2B context, super growth customers can be very close being below-zero because of the bargaining power they use to press down margins. There are two options how to handle below-zero customers: make them more profitable or disband the relationship.

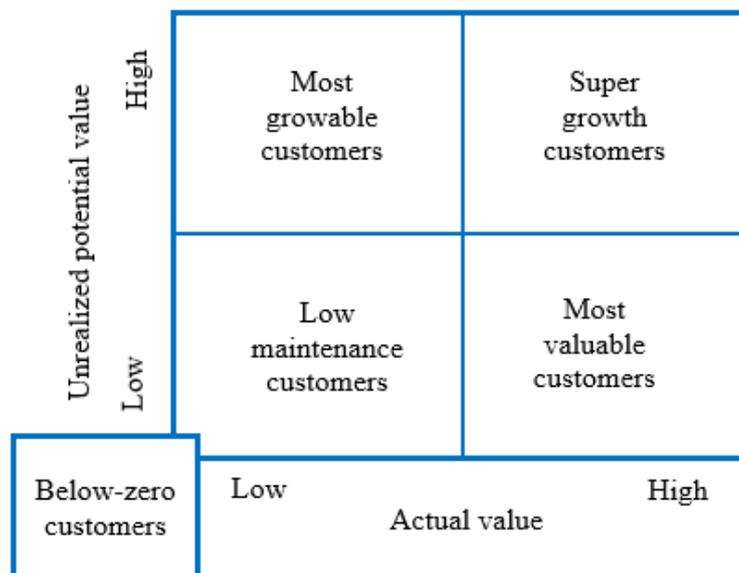


Figure 4. Customer value matrix (Peppers & Rogers 2010, 139)

Gordon (2008, 58-62) introduces a CRM model called CREVITS, it is acronym where each letter presents a part of the plan which first stage focus is on customer selection. At this stage companies should reach to a situation where they have more great than bad

customers since great customers bring more value and are strategically more important. Situation where customers are treated equally might result that number of bad customers increase which causes problems to the company. In order to identify right customers, a company needs: a customer database to identify customers, how much it costs to serve its customers, how profitable customers are, what is the customers share of the company's business, strategic value and influence of the customers and needs of each customer.

**Customer database** is used to record all information companies know about their customers, like demographics, interactions, transactions, values, behavior etc. In addition, each customer should have unique mark which enables focusing, grouping; and analytical and predictive operations. To support customer-oriented view, each database with customer information should be linked and operate in real time to identify and learn from all actions from each customer. **Cost-to-serve** uses cost allocation to measure customer profitability. This approach requires measuring both direct and indirect time and activity costs that occur when customer is in contact with a company. Cost point mapping is a way to identify points where customer is in contact with a company, this requires knowledge of the processes which activate when contacts occur. **Customer profitability** is known when company knows all revenues and costs which occur serving the customer. This enables a company to calculate customer lifetime value but it requires: unique customer profile, knowledge of the actual end customer, data of customer actions and analytical expertise, know-how of predictive modelling, purchasing lifetime analysis and customer profitability. (Gordon 2008, 61-69)

**Share of customer** is used to determine how important the supplier is for its customers. Of course this requires knowledge of each customer's total purchases in order to know what the actual position of the supplier is for each customer. **Customer strategic value** is achieved by listening to customers and to use that information to determine what kind of effect each customer has to company's future business. Customer strategic information is related to its: position in a community, connections, cooperation with the supplier, reputation, communal status, referrals that the customer makes and contribution to the company's competitive advantage. **Customer alignment** is how company focuses to its customers, identifying the best, moderate and worst customers. In this approach best

customers are what companies try to hold on while moderate being less strategic but can be kept while worst should be get rid of (Gordon 2008, 69-75)

One portfolio model introduced by Gordon, as shown in figure 5, is used to measure customer lifetime profitability against strategic value. This method gives a company the possibility to find which customers are both valuable and profitable and vice versa. (Gordon 2008, 75-76)

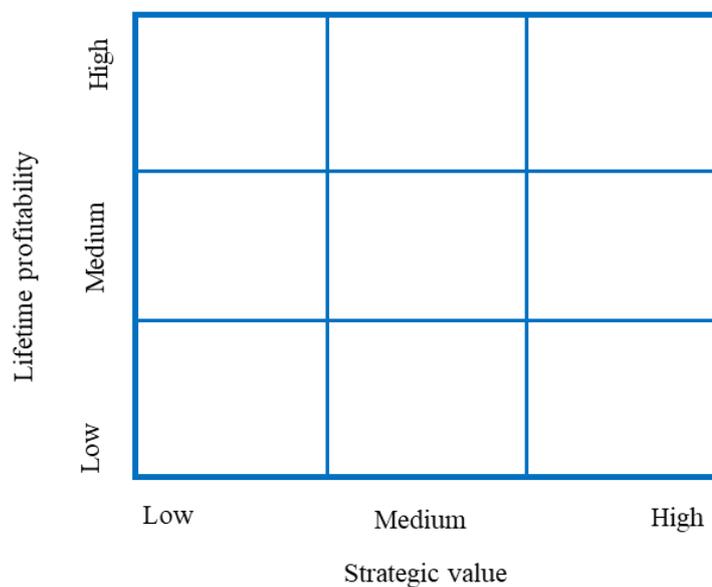


Figure 5. Gordon's customer portfolio model (Gordon 2008, 76)

Buttle (2009, 147-148) also proposes portfolio management as a way to categorize customers but notes that in B2B many companies categorize customers by sales volume which can be misleading if customer generated costs are not evaluated. Therefore he suggest using activity based costing to identify truly profitable customers and also other variables besides sales revenue.

Buttle (2009, 149-150) introduces three customer portfolio models that have been created to show how B2B companies can manage customer portfolios. In the model shown in figure 6, originally created by Benson Shapiro and his colleagues where customers are categorized to four segments by how much it costs to serve them in comparison to how much price is received. It is important to note that different customers create different amount of costs and that there are costs generated in different phases of order life cycle.

Pre-sale, production, distribution and after sale are examples of cost areas that create different types of costs.

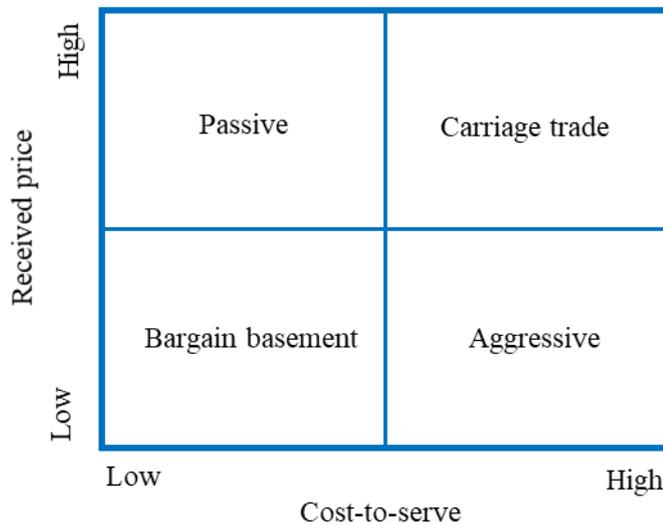


Figure 6. Customer classification matrix by Shapiro et al. (Buttle 2009, 150)

Buttle (2009, 151) continues by introducing a two-step model that is presented in figure 7. This model was originally created by Renato Fiocca. The first step of this model presents a matrix that compares the strategic importance of a customer to how difficult it is to manage the relationship of that customer. Strategic importance can be evaluated by measuring what is the value of customer purchases, potential and status of the customer, position among other customer, effect to suppliers other relationships and grating technological support. Relationship difficulty is categorized by product requirements, customer's behavior, power, technical and business skills, how many suppliers the customer uses and position of the customer in competition.

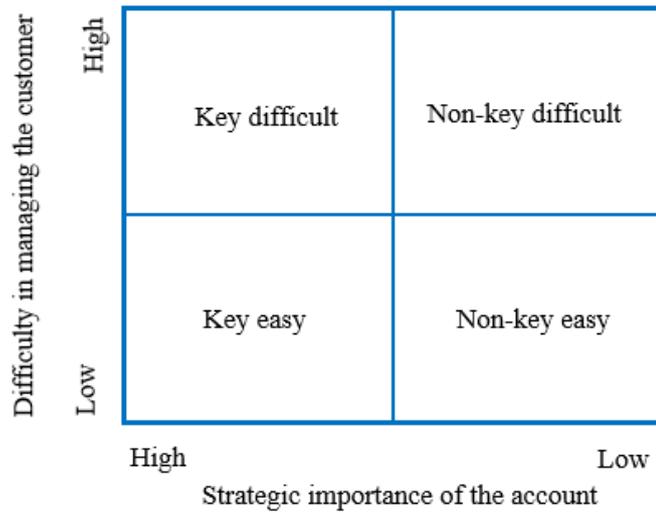


Figure 7. Customer portfolio model step 1 by Fiocca (Buttle 2009, 151)

According to Buttle (2009, 152), Fiocca's model second step is used to define key accounts by business attractiveness and strength of the relationship, this is shown in figure 8. In this model, business attractiveness can be evaluated with five factors: financial and economic, socio-political, technological, market situation and competition. Relationship strength can be evaluated by measuring what is the age of the relationship, total sales to the customer and its share of all sales, development cooperation, management culture and geographical distance. By measuring these elements, supplier can position customers to in a nice cell matrix where supplier is suggested to either hold the relationship position, withdraw from it or improve the relationship with the customer.

Customer's business attractiveness	High	Hold	Improve	Improve
		Hold	Improve	Improve
	Low	Hold	Withdraw	Withdraw
		Strong	Medium	Weak
		Relationship strength		

Figure 8. Customer portfolio model step 2 by Fiocca (Buttle 2009, 153)

Third model as seen on figure 9, originally created by Turnbull and Zolkiewski, presents a three-dimensional model. The first two elements; cost-to-serve and net price were adopted from the model by Shapiro, the third element is used to evaluate relationship value (Buttle 2009, 153).

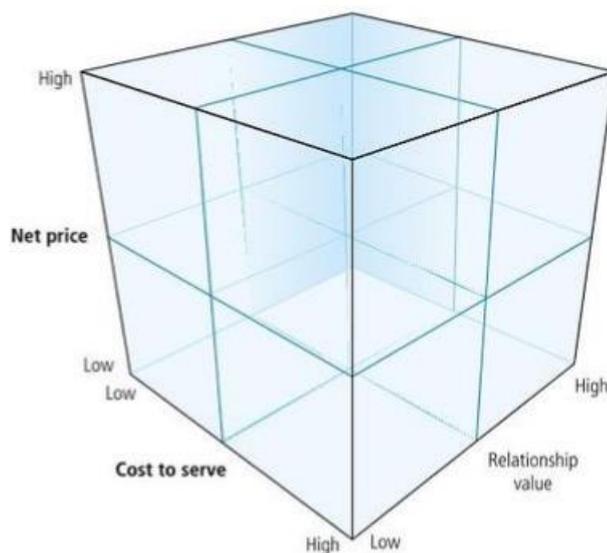


Figure 9. Customer portfolio model by Turnbull and Zolkiewski (Buttle 2009, 153)

Buttle (2009, 154-158) continues that in addition to portfolio management tools, there are strategic analysis tools such as SWOT, PESTE, Porter's Five Forces and BCG Matrix. Company can use these tools to support the analytical process which purpose is to create customer groups that are strategically important. Buttle introduces five possibilities to group customers that are strategically important:

- Customers that have high future lifetime value.
- High volume customers, that create less profit less but also low costs because of volume.
- Customers which other customers follow and have strong position in the industry, help the company's entry to new markets.
- Inspirational customers which create benefits such as improvements to products and reduction to costs.
- Customers that open doors that allows the company's expansion and eases business over cultural boundaries.

Jobber & Lancaster (2015, 274-275) add that instead of following only total sales to a customer, there are more ways to evaluate which customer should be key account. Like Buttle, Jobber & Lancaster also emphasize the strategic importance but also add a long-term importance as a criteria to select key accounts. These customers can be identified by have following features: Having the ability to increase their own market share and sales and have a strong position growing markets, cooperate with the supplier by participating in innovation process and product development, use supplier's new products thus increasing awareness and product spread, bring major share of suppliers profits, are important to competitors and can be captured and have good reputation allowing the supplier to use them as reference.

Cheverton (2008, 269-273) introduces a model he calls "key account identification and selection matrix" or in other words the "KAISM", shown in figure 10. Emphasis in this model is the bi-polar idea where supplier evaluates the customer attractiveness but customer is the one that evaluates the relative strength of the relationship. This means that it requires both parties to approve the relationship in order to improve it to a higher status. The KAISM model has four groups: **Key accounts** are those that supplier takes great care

of but also the customer's in this group evaluate the supplier high in their list of suppliers. It should be noted that it is suggested that the number of key accounts is kept below 10. **Key development accounts** are the ones that have potential of becoming key accounts but require a lot of resources to develop and therefore there shouldn't be many customers in this group. **Maintenance accounts** are likely long-term customers but the attractiveness has decreased so that the supplier cannot consider them as key accounts. Supplier should assign less people to take care of these customers and reduce costs of different actions while maximizing earnings. Transferring customer to this group requires a plan to ensure that the customer keeps providing profit to the supplier. **Opportunistic accounts** are less attractive but should be kept as they bring profits that support the more important account relationship development. Cheverton (2008, 275) emphasizes that a business should have all these different types of accounts in its portfolio to keep balance of costs, long-term business and profits.

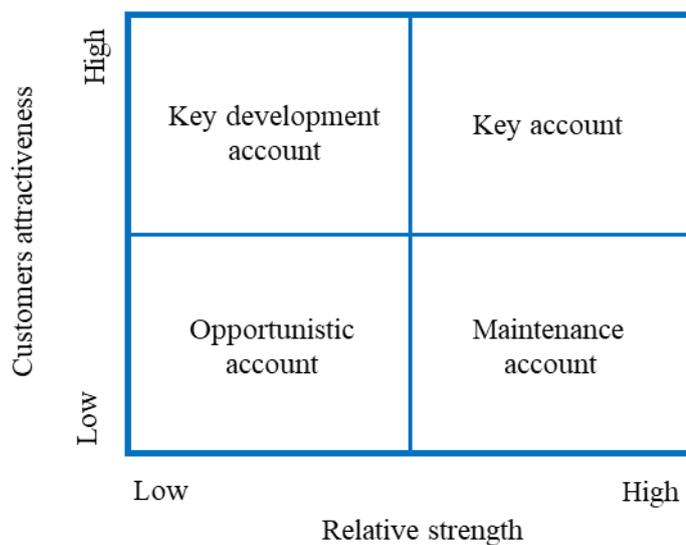


Figure 10. The KAISM model (Cheverton 2008, 270)

## 5.2 Customer categorization application

As stated above, there are multiple ways to categorize customers. Each model uses different set of attributes that can be divided into quantitative attributes like net price, cost-to-serve and profitability and qualitative attributes like strategic importance, attractiveness and relationship strength. The researcher considers important to include

both quantitative and qualitative attributes. Therefore, the model by Shapiro et al. presented in figure 6, is not used in the analysis because it uses only quantitative attributes. In addition, model by Turnbull and Zolkiewski shown in figure 9, is not included as the three dimensional model is difficult to visualize in this report that is two dimensional. The other models that use either both or only qualitative attributes are relevant to the research. In addition, since they share the same attributes, it is considered beneficial for the research to use each model to rank customers and see how results differ between models.

The researcher proposes to view the gathered data also from different perspectives. For example: how the ranking differs between the case company project sales and after sales business unit personnel. The researcher's experience from the case company is that both sales business units are somewhat siloed and therefore it is important to note in the analysis results. In addition, project sales serves less customers than after sales which have an effect the level of attention received by certain customers.

Even though there are multiple attributes, the workload to gather the data is not too heavy. Quantitative attribute data is gathered from few different systems and qualitative data with a questionnaire from approximately 10 people working in the case company sales force. However, because this process requires some work to gather and analyze the data, it is not suggested to be performed too frequently, at least not with the method performed in this research. Still, it is important to understand how the customers rank in the company's business and therefore it is suggested that the case company develops this method to make the process more automatic.

### 5.3 Key account management

The previous chapter introduced multiple ways to create customer groups depending what are the company's objectives and what factors it sees important. Since the focus of this study is to create KAM practices, there is no further theoretical analysis of other customer groups. Buttle (2009, 477-478) explains that the purpose of KAM for a company is to build trusting long-term relationship with strategically important customers which aims

is to bring value to both parties. It requires long-term strategic planning, continuous contact to different levels of the customer organization and investments that increase the value proposition to the key account. Key accounts are handled by either a single person who can handle one customer or a team which can handle one or multiple accounts. KAM can bring many benefits to a company: focusing resources to a selected customer increases efficiency and effectiveness; profit, volume and turnover is increased; repetition of business transactions lowers the cost of won deals, IT cooperation enables sharing information and linking databases; and increased trust lowers the need for checking different actions of the other party. Even though KAM can bring many benefits, it is possible that a customer is not willing to be a party in a relationship where it is treated as key account. In addition, it is possible that large customers who have many smaller suppliers have strict rules how business is made, which leaves less room for KAM practices.

Jobber & Lancaster (2015, 270-271) add that for a supplier, KAM can mean that it is required to modify pricing, products and services; logistics process and information sharing. In addition, it requires that key account managers have a multifunctional team which consist of different departments of the company that supports the sales force. It is also notable that in a case where supplier and customer would both be willing to engage in a KAM program, it requires alignment of strategies, operations and personal behavior of many individuals.

Jobber & Lancaster (2015, 272-273) point out that in a KAM relationship, both supplier and customer receive benefits but both parties also face risks. **Supplier risks** are stated as follows. Serving only few accounts, make supplier dependent of these customer which can cause some customers trying to use their position to demand lower margins or better attention which requires more resources from the supplier. In addition, when supplier is serving key accounts, it might ignore other accounts that also have possibility to rise to key account status. Also recruitment needs consideration since persons who are motivated to approach customers by themselves, might have problems performing in a team. **Customer risks** are stated as follows. Having only few suppliers, increases risk of delivery problems while in a long-term business relationship attention level of suppliers

can decrease but also customers focus can cause them to miss suppliers that could provide better value.

Cheverton (2008, 3-6) points out that instead of the customer, it is the supplier's employees who are in contact with the customer; people from sales, marketing, customer service and logistics who set rules for the supplier's KAM process. The number of key accounts should be limited so that resources are not spread too widely and behavioral mode should be different than it is to other customers. Each key account should be marked so that the company is able to analyze how the customer benefits from the position. Jobber & Lancaster (2015, 274) add that for a supplier, KAM process is more justified when its business with customers is close to following situations: supplier has only few customers which account large proportion of sales, customers' needs are complex, there is requirement for tailored products and services and multifunctional contracts, possible cooperation in business operations to lower costs, tougher competition and if customer is focusing its operations.

### 5.3.1 Sales force in KAM

Company can use either individuals or teams who are in contact with key accounts. Jobber & Lancaster (2015, 275-276) state that it is important that right people are selected as key account managers since the work is different from normal selling. This is because key purchasers in suppliers' side who the key account manager contacts, are tough business persons who are expected to make best possible contracts for the customer. Also coordination of company resources is critical as KAM is nowadays though as a team effort. Therefore, success in KAM requires that key account manager deals with tasks within the company as well as tasks related to the customer. Person selected as key account manager should possess following skills: build and maintain customer relationship, identify and solve problems, coordinate resources who are in direct contact with key customers, handle contracts, identify sales opportunities and competitive elements with key accounts, make presentations and handle communication and negotiations with key customers.

Buttle (2009, 481-482) continues that team selling is normal in deeper KAM relationships. In addition to own company functions, sales team can consist of multiple companies that have formed partnership. Cheverton (2008, 5-7) states that account managers should be selected so that only the clever salespersons or sales team who have sales skills are serving the key accounts. Clever sales people are required because KAM is more than selling, it is a strategic process that requires right type of communication and analysis.

Cheverton (2008, 317-319) states that because KAM is a team effort, it is not required for the key account manager to have good skills in multiple different areas. The most important skills of the key account manager are related to team leadership, coaching and political entrepreneurship. **Team leadership** is about person earning authority over the team that should comprise different roles that is able to work efficiently. It can be expected that in the beginning, the key account manager has more authoritarian role but as the team develops, the people in it get more freedom to operate. For the team to be efficient, operational and progressive, the people in it should possess different roles that present different qualities.

Cheverton (2008, 325) continues that **coaching** is regarded as an important skill since it is used to enhance the team members' abilities which the key account manager thinks that should be at a higher level. **Political entrepreneurship** is a skill that is built of two parts; political part which is about understanding the customer's behavior and adjust the team behavior against it, and entrepreneurial part that used to identify, pursue and make decisions about opportunities that rise.

In the next topic, it is introduced how customer relationship development changes the key account manager's role and tasks in the relationship. It starts from a situation where key account manager is the only contact to the customer and progresses to a position where key account manager guides and coaches team members, teams or specialists from different departments who are in contact with the customer.

### 5.3.2 KAM lifecycle

Both Jobber & Lancaster (2015, 276-280) and Buttle (2009, 478-481) introduce a lifecycle of KAM introduced in figure 11. They state that the lifecycle changes shape from an early-KAM bow-tie model to diamond model if the relationship between the seller and buyer reaches partnership-KAM stage. Deeper relationship means that instead only the key account manager is in contact with the buyer, the seller's other functions are in contact with the buyer's functions. This also means role of the key account manager evolves to a coordinator who controls actions of the seller's functions.

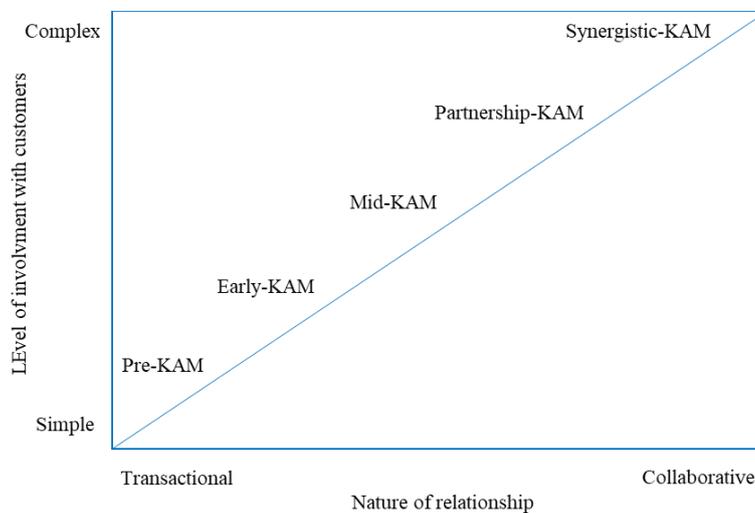


Figure 11. KAM lifecycle (Jobber & Lancaster 2015, 279 & Buttle 2009, 479)

Cheverton (2008, 76-78), whose relationship lifecycle is introduced in figure 12, also includes bow-tie model which he describes being the most basic model in a business relationship. This relationship stage is characterized by power play, feel of control for both organizations, short-term and transactional behavior, uncertainty for the supplier and possible supply breaks.

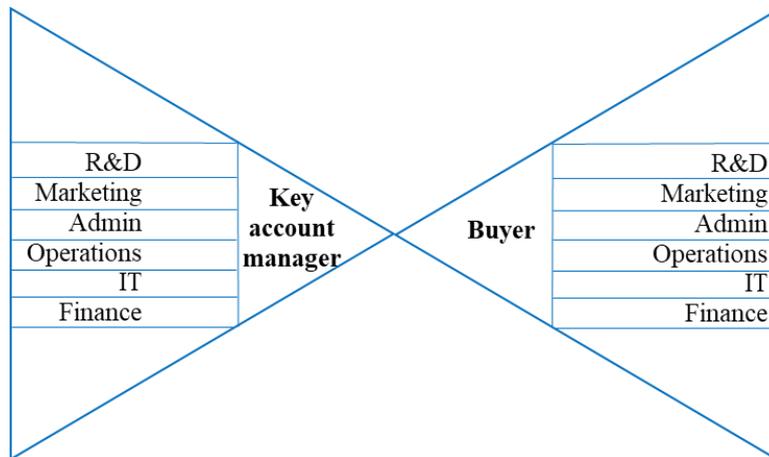


Figure 12. Early KAM relationship bow-tie model (Jobber & Lancaster 2015, 276), Buttle (2009, 479) & Cheverton (2008, 76)

Cheverton (2008, 83-86) describes few of the diamond model characteristics as follows: people from both organizations who work as teams and know their roles, mutual trust allows that information is shared, long-term contracts are common and open communication where disagreement is possible, the customer measures the supplier and expects improvements but also develops the suppliers potential. Still it should be noted that as possibilities increase with the diamond model, so do risks. Therefore, key account manager must increase skills in coaching and ensure that communication of different activities is spread to those who engage in the relationship. This is to ensure that the relationship does not end up in a state where people start to act with their own objectives.

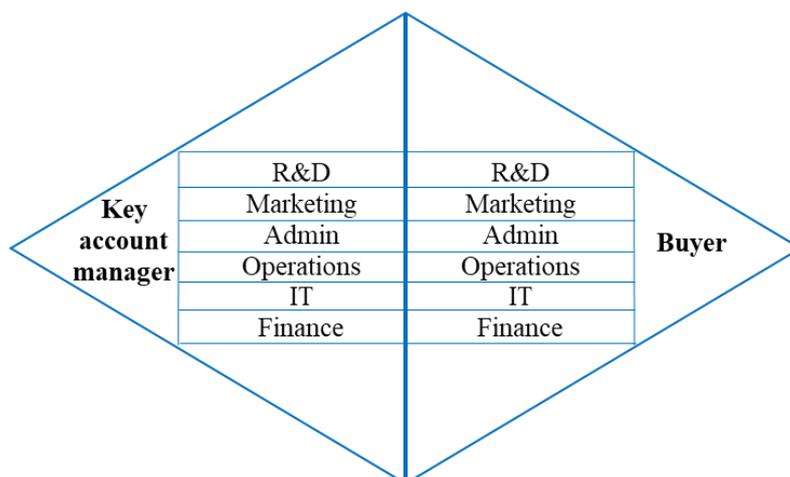


Figure 13. Partnership-KAM relationship diamond model (Jobber & Lancaster 2015, 276), Buttle (2009, 480) & Cheverton (2008, 83)

Buttle (2009, 480-481) proposes that the KAM relationship can also reach a synergistic-KAM stage if the cooperation of seller and buyer is so deep that the line separating the companies is no longer clear. In synergistic relationship as shown in figure 12, both the seller and buyer combine their own functions into teams that focus creating value to both companies.

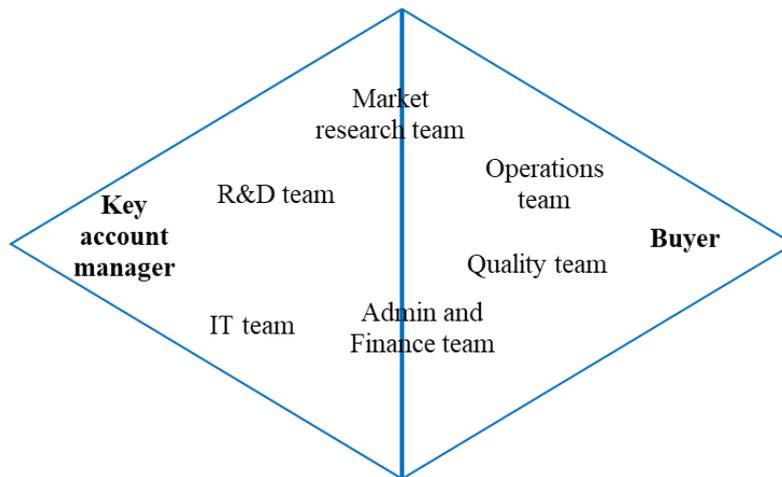


Figure 14. Synergistic-KAM relationship model (Buttle 2009, 481)

Cheverton (2008, 71-74) has a slightly different approach to key account relationship development and he calls it “a journey of relationships”. This method is different from normal selling because it is a journey that requires long-term commitment, patience and that both the supplier and customer agree to progress in the relationship. It is possible that relationship progress is halted or even cancelled if either the supplier or the customer does not follow the path where they share mutual objectives. In order to progress in key account relationship, supplier is required to continuously increase its value proposal to raise customer’s expectations. Increasing demand and complex proposals which lead to that multiple people from both organizations participate to work to enhance the relationship. To think key account relationship as an investment, allows companies to measure when the relationship has reached the most beneficial stage. This means that sometimes it is better to stop progressing the relationship or even take back few steps.

There four stages of to the journey: the bow-tie model the one-on-many phase, the “cotton-reel” stage and finally the diamond model. Cheverton sees that the first two phases are only considered account management where the term “key” is missing as they

don't include team selling feature. There is also an emphasis that instead of using the different phases as default models, they should be viewed as how the relationship might look at different stages (Cheverson 2008, 74-75.) The bow-tie model and the diamond model were already described in the earlier chapter of this topic and therefore there is only description of one-on-many and "cotton-reel" phases.

Cheverson (2008, 78-79) introduces the second phase of the journey and describes it as one-on-many model, which is shown in figure 15. The change from bow-tie model is that supplier's account manager widens the contact layer to the customer. In this type of model the account manager might for example be looking for more opportunities or that the customer might want that the supplier has contacts from other functions to understand more about the customer and its needs. Anyway, this type of situation where increased benefits need more complex relationship, requires that the account manager is to decide whether to look for more resources. More resources make it possible to move the relationship to the next step in the journey but it is also possible that there are no extra resources.

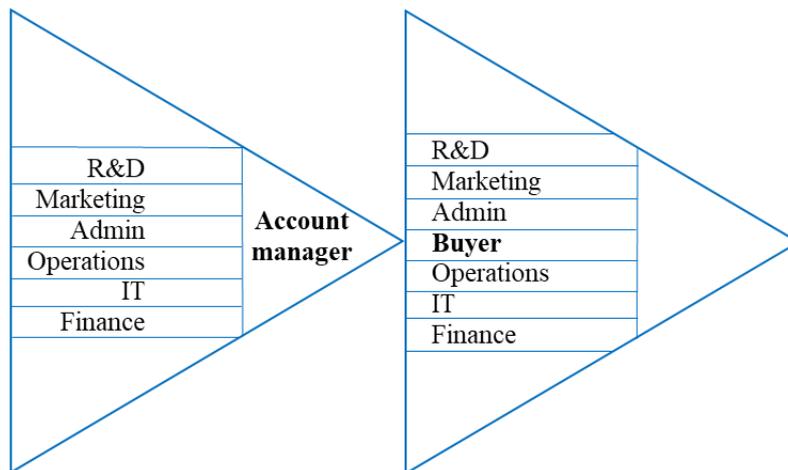


Figure 15. One-on-many relationship phase (Cheverson 2008, 78)

Cheverson (2008, 80-81) continues that when the account manager is able to get more resources from different functions to contact the customer, it moves the relationship to the "cotton-reel" phase, shown in figure 16. This also increases the account manager status to key account manager. In this phase, supplier's internal communication and

customer orientation are increased which means that in the relationship there is more trust, communication and shared projects between the organizations. In addition, it is possible that in this phase the customer sees other value propositions more attractive than price or cost. Inter-organizational communication happens so that first the key account manager involves the customer and gets their approval before familiarizing professionals from both organizations. To avoid conflicts that might occur when new people meet, the key account manager briefs and trains his resources how to act when meeting with customers.

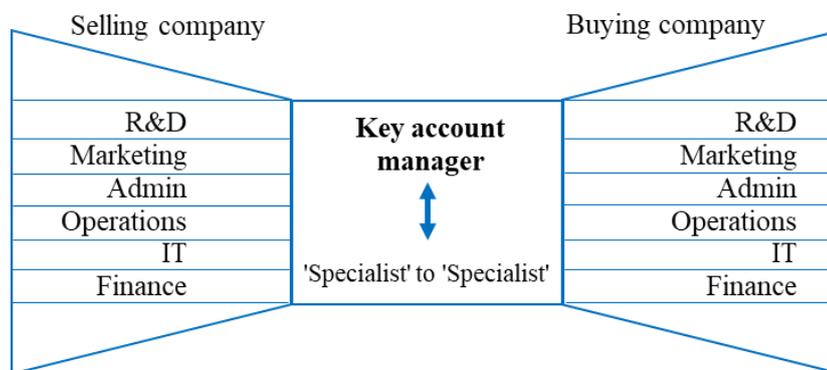


Figure 16. “Cotton-reel” relationship phase (Cheverson 2008, 80)

#### 5.4 Support from digital systems

Cheverson (2008, 333-340) states that it is important to note that IT system should not be allowed to lead the KAM process but instead support the people. It is important that KAM is introduced to the members of IT department so that these people are able to understand what is required from the system. CRM system should enable recording information and make data analysis possible which will enable the company to measure, for example customer profitability and enable customer categorization. In addition, it should support communication and sharing information especially in a situation where the key account team approaches more complex relationship. However, within a team, contacting team members outside the digital environment is important, as it makes team more united. It is notable that in addition to CRM system, there are also many other systems that can ease the operations between the supplier and customer. These systems can enable services like

extranet, joint R&D operations, project management, forecasting, order processing and invoicing.

Cheverton (2008, 336) states that it is more important to use people than CRM system when working with the two most important account groups which were previously introduced: key accounts and key development accounts. However, CRM should be used with maintenance and opportunistic accounts which are less important accounts, this is to save company's resources. For users, CRM software should be something that brings value to their work but also it should be made known, that it is a system which requires inputting accurate information that is to be kept up to date and treated responsibly.

Buttle (2009, 366-368) takes a more practical approach as he emphasizes the importance of customer focused multichannel CRM that consolidates all customer functions but enables single view for the customer. However, this type of operational CRM approach has moved towards more analytical CRM as value of interaction has become more important. In addition, collaborative CRM has increased as web technologies have enabled partners to work together in the same platform. Peppers & Rogers (2010, 342-343) also point out the importance of customer analytics as it enables the following: customer classification and clustering, predict customer behavior, estimate how value of different variables develop and use current value to forecast future value. Though large amounts of data can provide very detailed analysis, data quality can become a problem if it is left unattended for a long time.

## 5.5 KAM application

For the case company, understanding KAM practices starts by identifying the customers that the company evaluates to be the most important. However, it is important not to make hasty decisions or let only the quantifiable data matter when deciding customer importance. Instead, the company should use categorization model to identify key accounts and remember to get opinion from employees who are working in different departments and are active in the customer interface. Reason for careful consideration is that there are different ways how a profitable customer can become less interesting but

also how underrated customers become attractive. This shift in customer alignment can progress slowly or happen very fast, depending on the impact to the customer. Impact can be anything that happens in the customer's operational business environment.

Majority of KAM happens between people and especially between few key individuals in early stages of KAM relationship and therefore it is important to understand how these individuals act in a KAM relationship. People working in the KAM relationship should be evaluated are they suitable for that position. Evaluation requires also resource estimations because too many resources lower account profitability while too few resource can cause problems in individual workload.

## 6 KEY ACCOUNT MANAGEMENT IN THE CASE COMPANY

### 6.1 Case company

Case company for this study is operates in a marine and power plant industry. Company project sales department sells auxiliary units to large ocean vessels and power plants. These units require regular maintenance where wearable parts for larger component are changed and sometimes the larger components if they are broken. To ensure that auxiliary units stay in operating condition, the case company has an after sales business unit which sells wearable parts, larger components and maintenance service. In addition, after sales offering includes retrofit units which are auxiliary units fitted to vessels which are already operating.

Case company after sales business unit operates globally, serving a few hundred customers that own or operate thousands of vessels and power plants. These customers include ship and power plant owners, fleet management companies which operate ships in behalf of owners and specialized agents which are third parties selling components to the previously mentioned end customers. The after sales business has operations in Finland, Hong Kong and in China and each location has sales persons and staff that can

perform maintenance services at locations where customers operate their units. Components are sold from a warehouse which is located in Finland and in China, retrofit auxiliary units are manufacture in Finland and in China.

The researcher of this study works as a specialist in the case company and he is the developer of the new processes and practices like the ones that are introduced in this report. He is also an administrator of ERP and electronic content management (ECM) systems and supports the company with different business intelligence (BI) reports. As a specialist he acts as an external development agent in the organization.

Currently the case company strategy is to be more customer oriented. Especially promoting employees to have more customer centric attitude indicates that the company is adopting the idea of strategic CRM. Albeit this strategy is rather new, there are already actions taken to be more customer oriented, for example this study is a clear indication that the company requires more automation in operational CRM and support from analytical CRM. At the moment sales operations are supported by a light CRM system that helps to manage leads, prospects, sales activities and contacts. Internal BI provides information about customer behavior, for example what components are offered to customers, how much sales and profits different customers generate and what is the hit rate of offers. The case company has generated internal BI data multiple years to its ERP system, which enables reporting long term customer behavior. External BI data is supported by customer demographics which tells for example where customers are located and where their ships operate. External BI data is stored to ERP system but part of it is already usable in the ECM system which supports the CRM system.

The case company customer categorization can be seen in few BI reports, however the categories are not thoroughly planned and mainly focus to either sales or invoice value. In other words the focus is in calculated data and less focus is put to qualitative information. Most of the company employees also “know” the important customers but there is always debate how important they actually are. It is likely that most employees evaluate them only by sales or invoice value since those are the figures that are available for everyone working in the company. There is also a difference how different employees

view customers. Those who are working more with project sales customers, see the importance in them and those who work with after sales customers emphasize their value to the case company.

## 6.2 Customer database

The master register for customers and contact persons is currently located in the case company's ERP system. The ERP system is quite old and some of its CRM functions are seen outdated. Partly for this reason the case company has not used the ERP system for customer event management or lead and prospect follow up. This is why customer related transaction processes like offering, ordering and invoicing which are done in the ERP system, have taken more dominant position in the company. However, there are plans to transfer the master customer and contact register to a separate CRM software. This would mean that the new CRM system is used to manage the customer and contact person register while the ERP system imports the necessary information to ensure that transaction activities can be performed.

The customer register in the ERP system has a lot of information that supports the transaction activities. This can be divided into following categories:

- contact information such as customer identification number and name, phone numbers, e-mail, postal addresses and contact persons
- payment information like agreed payment term and bank details
- delivery information as agreed delivery term and delivery addresses
- possible restrictions or comments that inform sales persons of possible obscurities that should be taken into account
- customer specific texts some of which are informative but others that can be exported to different documents

In addition, there is information that is used to benefit reporting and analysis. This information includes few different customer groups and a country where customer office is located. However, in the case company the current customer groups have little or no benefit for account management and give only partial support for reporting and analysis.

The information in the customer register is used to speed up a transaction activities since part of it stays constant. The information changes when the case company and a customer agree on a change or when the case company makes a change to information where mutual agreement is not required. The data is also used by various ways in different reports and analyses as only the number of data fields limit the number of different possible perspectives. Analyses are created by combining different transaction data with customer information and customer identification number is used to create a link between different data sets.

## 7 RESULTS FROM THE QUALITATIVE SURVEY

The questionnaire was tailored for this research and for the case company. However the questions are related to general theory of customer management so they can be used by other companies to research the same topic. The questions are also not time bound so the research can be repeated with little modification. The questions in the questionnaire are created to support the research objectives of this study. The questionnaire is divided into three parts: customer categorization, KAM practices and key account selection, in addition, there is a section to collect background information of respondents. The three parts are introduced in the following chapters.

The questionnaire was created by using Google Forms tool and sent in August 2018 to 13 pre-selected respondents who work in sales departments of the case company. The questionnaire had both Finnish and English versions, English version of the questionnaire can be found from the appendices. Respondents were given four weeks to respond. Before the last week, an e-mail was sent to all respondents to encourage participating if they had not responded yet. The questionnaire response mechanism was adjusted so that no information that could reveal identity of the respondent was gathered from the respondents. Total of 9 from 13 responded to the questionnaire which makes the response rate 69 percent.

Since the data is business critical, each customer is marked with an identification tag “C” and a running number starting with “01”. Same process is used with respondents but the starting letter is “R”. The tag is kept same for each customer and respondent throughout the data analysis. Respondents working in after sales department are tagged as “AS” in and project sales respondents as “PS”.

The questionnaire has a qualitative nature even though quantitative method is used to collect and analyze data from the categorization questions because it is required to rank the customers to the categorization models. Qualitative nature is shown especially in the questions related to KAM practices but also in the categorization questions, as every response is an individual opinion and considered primary data that is collected only for this research.

All except one question related to KAM practices is a paragraph text form, where there is basically no limit how many characters a respondent could input. Each question has a topic and a description that varies in length. Example of a KAM practice question is “What does key account mean to you and what it should mean to the case company?” The description for this question is “What is your opinion about key account management in the case company, do you think it’s needed? Should the case company put more or less effort to it? Does key account management fit to the case company’s business operations?” Since this question has basically four sub-questions, an expected answer would be 3-6 sentences long. Of course longer answers are always better as they provide more information for the research, give better knowledge about individual opinions and make easier to tell how wide gap there is between opinions.

## 7.1 Background of respondents

There are five background questions in total. Three of the questions are related to the respondent.

- In which business unit you work?
- What is your position?
- How many years have you worked for the case company?

Business unit specifies is the person working either in the after sales or project sales department. This is important information even though they share some of the customers but because after sales department serves many times more active customers than then project sales department. From the nine respondents, two work in project sales and seven in after sales.

Position inquires, is the person either an employee or a manager. Purpose of this question is the find out how what kind of effect position has to the responses. From the nine respondents, one works as a manager and eight as an employee.

Years worked is expected to have relation to experience and therefore it is interesting to see what kind of effect it has how different persons view same customers. Below figure shows years worked in the horizontal axis and number of respondents in the vertical axis. As the figure 17 shows, four respondents have worked three or less years while one has a long history in the case company.

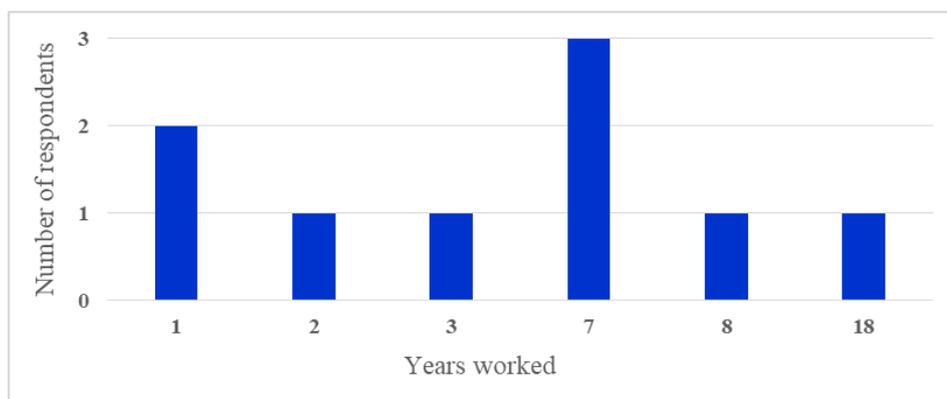


Figure 17. Years worked in the case company

In addition, to the above questions, there are two more detailed questions. Both of these questions have initial part that inquires does the person know the subject and latter part that asks the person describe the question if the know about it.

- Is customer categorization familiar concept and how the respondent would describe it?

- Is key account management familiar concept and how the respondent would describe it?

Knowledge about customer categorization is beneficial since the following questions are about it. It also means that a respondent likely has information about the subject and aspects that are used in categorization. Better understanding of the subject makes responding easier and could have an effect to reliability of the answers, as the questions can be considered difficult by some. This also applies to the question about KAM.

From nine respondents, seven had knowledge about customer categorization and each gave more detailed answer about it. Below are the responses, translated to English. It is clear from most responses that respondents have basic knowledge of customer categorization. However, the responses don't show that there would be a deeper understanding of different categorization methods.

- Customers are categorized from a desired perspective that is used to define potential, unprofitable and profitable etc. customers.
- Customers can be categorized on the basis of different indicators to classes that meet a certain criteria. When these classes are ordered by importance, it creates categorization. For example a farm, where there are white and black sheep. They are put to their own pens. Sheep are then counted and noted that the number of white sheep is higher than the number of black sheep. It is then decided that white sheep that have the majority have precedence. This is how the categorization is complete.
- Customers that generate most sales has to be our most important customers.
- Customers are sorted into different values. For example, important, normal, less important, unnecessary.
- Customers are divided by importance. For example by order amount.
- Dividing different customers (by products, importance etc.)
- Customers are categorized for example to levels 1, 2 and 3 and they get service according to which level they are on (for example, response speed, discount)

Like customer categorization, eight out of nine respondents also had knowledge about key account management and seven gave more detailed answer about it. Below are the responses, translated to English. Also in this question, most of the answers are short but it is clear that the concept is somewhat familiar to most of the respondents. However, the perspective in most responses is in the importance of key customers but none pointed out the importance of people and relationship between customer and supplier.

- Key account management is customer-oriented approach which purpose is to meet customer needs as well as possible.
- Define the importance of different customers to a company.
- Key account means a customer that from a company's business perspective is in so important position that it is constantly followed and receives special attention. Key account management is deep knowledge of this customer. Essential parts are identifying customer needs and anticipation. They enable that business is kept profitable, moving it to a desired direction while at the same time following customers' wishes.
- Customers need to be categorized by sales.
- Being in contact with the customer and not only respond to inquiries. Offering customer new possibilities to develop and improve operations.
- Comprehensive management of customer.
- Categorizing customers and raising key customers.

## 7.2 Customer categorization

Customer categorization part is divided into six questions. The first five were created after analyzing the categorization models introduced in chapter 5 and sixth that was used to collect opinions should the case company emphasize qualitative or quantitative factors when evaluating its customers. Each of the first five questions are relevant to one or more models. Before the questions, there is table of ten most profitable customers of the case company 2015-2017, these customers are the target group in each question. In every question, each customer is evaluated in a 1 to 5 scale where 1 is the lowest score and 5 the highest. For each score, there is also gradient coding, from ocean blue number 5 to

bright red number 1. For each customer in each question, there is also an option to answer “I don’t know”, which is shown as empty white cell in the summary tables. Reason for this option is that respondents can avoid giving a false response.

### 7.2.1 Strategic importance

This part of the questionnaire started with a question related to strategic importance of a customer. The purpose of this question is used to identify long-term (5 years) value of each customer to the case company. For this question, the respondents were asked to analyze the following points: Customers profitability, how is the customer seen among other customers, what kind of effect they have to the case company’s other business relationships and does the case company get any type of support or benefit from that customer. In this question, score 5 indicates very high importance while the score 1 indicates very low importance.

The data from this question is used in Gordon’s portfolio model where the horizontal axis evaluates strategic value and in Fiocca’s model step one where the horizontal axis is called strategic importance. It should be noted, that there are slight differences how Gordon and Fiocca define strategic importance but because of the similarities they are used for the same purposes in this research.

From this table it is seen that customers 01 and 02 are evaluated to be strategically most important. This is expected, as from the profit point of view they are very important for the case company. Also customer C 01 is known to provide support for the case company. However, it is interesting that even though customer C 02 is known to be less important from after sales perspective, it is evaluated to the same level with C 01 by five after sales respondents. This could be explained by the communication between sales departments and because reporting culture in the case company is quite open which makes people generally more aware of customer activities. The low values for C 07 – 10 could be explained by their weakened profitability in 2017 and that their activity towards the case company is either low or very low.

Customer	Respondent									Average
	AS	AS	PS	AS	AS	AS	AS	PS	AS	
	R 01	R 02	R 03	R 04	R 05	R 06	R 07	R 08	R 09	
C 01	5	5	5	5	5	4	4	5	5	4,78
C 02	5	5	5	5	5	4	4	5	5	4,78
C 03		5	4	5	5	3	3	4	4	4,13
C 04	4	3	3	4	5	5			5	4,14
C 05	3	4	3	4	4	3	3	5		3,63
C 06	3	4	3	4	3	5		3	4	3,63
C 07		3	2	3	3	2	2	4	5	3,00
C 08		2	3	2	3	3		4		2,83
C 09		2	2	3	2	2				2,20
C 10		2	2	2	1	2	1			1,67

Table 1. Customer strategic importance.

### 7.2.2 Business attractiveness

Question about business attractiveness is determined by the following points: how the customer performs in the market, what is its competitive position among other companies, how adaptive is the customer, what is the overall financial performance of the customer, what is the size and experience of the customer and what is the technological and knowledge level of the customer. Score 5 indicates very high attractiveness and score 1 very low attractiveness.

Business attractiveness is analyzed in vertical axis both in the Fiocca's model step 2 and in the "KAISM" model by Cheverton. It is to be noted, that description regarding this question relate more to the Fiocca's model step 2 as there was little description of customer attractiveness in the Cheverton's model. However, it can be expected that both have similar idea behind the term and therefore in this research the results are used in both models.

Like in the previous table regarding strategic importance, also in this table customer C 01 is seen most attractive, however customer C 02 and C 05 are not far behind. It can be said that all these three customers share characteristics which makes them attractive in the industry and therefore the results are not surprising.

Customer	Respondent									Average
	AS	AS	PS	AS	AS	AS	AS	PS	AS	
	R 01	R 02	R 03	R 04	R 05	R 06	R 07	R 08	R 09	
C 01	5	5	5	5	4	4	4	5	5	4,67
C 02	4	5	4	4	4	4	4	4	5	4,22
C 03		4	4	4	4	3	3	3	5	3,75
C 04	4	5	3		2	5			4	3,83
C 05		5	4	5	4	3	3	5	5	4,25
C 06	3	4	3	3	2	4			4	3,29
C 07		4	3	4	3	2	2	5	5	3,50
C 08		3	3		4	3		3		3,20
C 09		3	2		2	2				2,25
C 10		4	2		1	2	1			2,00

Table 2. Customer business attractiveness.

### 7.2.3 Relationship difficulty

Relationship difficulty is defined from the sales persons' perspective. It is a summary of the following questions: customer's requirements regarding suppliers' product, how many different suppliers it uses, what is the customer's position in competition and what kind of technical and business skills does it have. This question is relevant in the Fiocca's model step one where it is represented as the vertical axis. Score 5 in this question indicates very easy relationship and score 1 very hard relationship.

In this question the highest average scores go to customers that are important in the after sales segment, C 04, C 06 and C 01 but in this question the number of empty answers is high, which makes the average results less reliable. Still, it can be verified by the researcher that because orders processed by the project sales are generally more demanding and take longer time, it can cause the customer to be seen more difficult. This is also because in these projects, large customer's power and requirements can become more visible than in a short after sales delivery.

In this question it must be noted, that the description of this question in the questionnaire was missing the definitions stated in the previous chapter. Therefore, it is likely that responses are less accurate but cannot be considered too unreliable so that they should be discarded from this research.

Customer	Respondent									Average
	AS	AS	PS	AS	AS	AS	AS	PS	AS	
	R 01	R 02	R 03	R 04	R 05	R 06	R 07	R 08	R 09	
C 01		4	4	5	3	3	4	5		4,00
C 02		2	4	3	2	3	3	4	4	3,13
C 03			3	3	4	3	4		3	3,33
C 04	5		3		5	5			4	4,40
C 05		2	2	3	2	2				2,20
C 06	4	4	4	4	5	4				4,17
C 07		4	3	3	4	3	4	3		3,43
C 08		2	2		3	3		3		2,60
C 09			2		5	3				3,33
C 10			2		1	3	4			2,50

Table 3. Customer relationship difficulty.

#### 7.2.4 How customer views relationship

To get best result for the Cheverton's "KAISM" model, customer should answer to the question about relationship with a company. However, in this research it was decided that the case company sales persons answer to this question. In the questionnaire it was instructed that respondent should take the customer's perspective to the relationship with the case company. In this question, the score 1 indicates a weak relationship and score 5 marks a strong relationship. These responses are only used in the "KAISM" model by Cheverton.

Customer C 04 was the only one to reach average score of 4,00 but with many empty answers. Also it is interesting that there was only two responses with score 5. This indicates that multiple sales persons' have doubts about the case company's position in different customer relationships. It is important to note also in this question, that there were quite many empty answers which makes the customer C 04 average result questionable and puts more emphasis to customers like C 01 and C 02 where there is only one empty answer in both.

Customer	Respondent									Average
	AS	AS	PS	AS	AS	AS	AS	PS	AS	
	R 01	R 02	R 03	R 04	R 05	R 06	R 07	R 08	R 09	
C 01		4	3	4	4	4	4	4	3	3,75
C 02		3	4	3	4	4	4	5	4	3,88
C 03			3		3	3	3	3		3,00
C 04	4		4		3	5			4	4,00
C 05		2	2	3	3	3	2	3		2,57
C 06	3	4	4	4	3	4			3	3,57
C 07		4	3		4	3	4	3	3	3,43
C 08			2		3	3		4		3,00
C 09			2		2	3				2,33
C 10			2		1	3	2			2,00

Table 4. Customer's view of business relationship with the case company.

### 7.2.5 Unrealized potential

Question about unrealized potential means, does the customer have value that is not yet realized for a company or is a company already getting most value it can get from the specific customer? Value in this question means volume and profits. Purpose of this question is to separate customers to which a company is the key supplier from those customers that still could bring more value. In addition, this question is important as if there are only few customers that could bring more value, a company should take actions and scout for more customers. Also, there could be a situation where none of current customers' are bringing enough value, which means a company should find out how it can realize the potential value of these customers. In this question, score 5 points to very much and score 1 to very little unrealized potential.

This question is analyzed together with actual value in the customer value matrix by Peppers & Rogers and it is represented as a vertical axis.

To this question respondent R 07 gave only one answer but also like the previous two questions there is rather many empty cells. However, the results that were given, indicate that most customers are seen to have only some unrealized potential, as no customer is able to reach an average of 4,00. Most unrealized potential is seen with customers C 07 and C 05.

Customer	Respondent									Average
	AS	AS	PS	AS	AS	AS	AS	PS	AS	
	R 01	R 02	R 03	R 04	R 05	R 06	R 07	R 08	R 09	
C 01	3	3	3	4	4	3		3	2	3,13
C 02		4	2	3	5	3		3	3	3,29
C 03			3	4	3	3		3	4	3,33
C 04	3		2		3	3			4	3,00
C 05		3	4	4	2	4		5		3,67
C 06	3	2	2	4	3	3			4	3,00
C 07			3	3	5	2		5	5	3,83
C 08		3	4		3	2		3		3,00
C 09			3		1	2				2,00
C 10			4		1	2	1			2,00

Table 5. Customer's unrealized potential.

#### 7.2.6 Ranking customers to categorization matrixes

The first matrix where customers are categorized is the customer value matrix by Peppers & Rogers that was introduced in figure 4 in chapter 5.1. In this figure, customers are positioned to the vertical axis according to the average score calculated from the results of the question about unrealized potential, which was the fifth question in the questionnaire. The horizontal axis position is defined according to the profit score of the customer but customers' order volume was ignored. If the order volume would have been included, it could have had small effect to the rankings in the figure. However, the difference in profit score between the first two customers and the rest of the customers is so large, it is rather safe to say that the effect would have been only minor.

This figure points out how important the customers C 01 and C 02 are to the case company because of the profit they generate. However, because there are only two highly profitable customers, it creates a considerable risk to the case company. Therefore, it is important to note that even though customers C 03 – C 10 bring lower profit compared to the first two, they are seen to have high amount of unrealized potential. For the case company it suggested that it tries to increase the realized value of customers C 03 – C 10 and possibly other customers, to mitigate the risk.

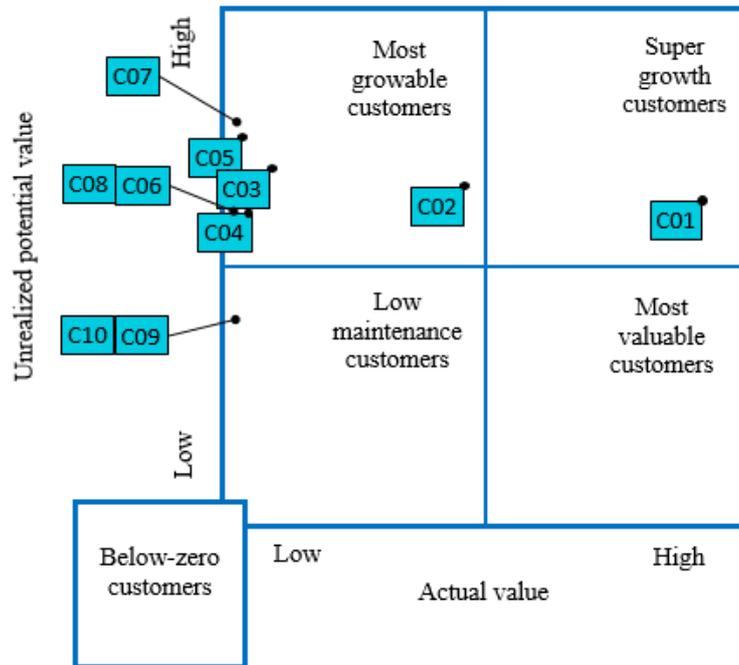


Figure 18. Case company customers in value matrix by Peppers & Rogers.

Next figure where customers are ranked, is the customer portfolio model by Gordon. This figure was introduced in figure 5 in chapter 5.1. The vertical axis in this figure, is the lifetime profitability of the customer. This axis uses the same profit values as is used in the previous figure horizontal axis which is called “Actual value”. The horizontal axis is the strategic value of customers, this was the first categorization question in the questionnaire.

Like in the previous figure, also in this the customers C 01 and C 02 stand out from the other customers because of the profit score. In addition, the strategic importance of these customers was evaluated very high by the respondents. However, this was expected since one of the strategic importance question specifier was to consider the current profit of the customer. Because of the profit score, customers C 03 – C 10 are positioned in the end of the vertical axis but they are quite distributed in the horizontal axis. Customers C 03 – C 04 are evaluated to be strategically very important while customers C 05 – C 06 are evaluated to be a bit less important. As mentioned in chapter 5.1, the reason for the lower scores for customers C 07 – C 10 could be explained by decreasing profit in 2017 and decreased activity in the business relationship.

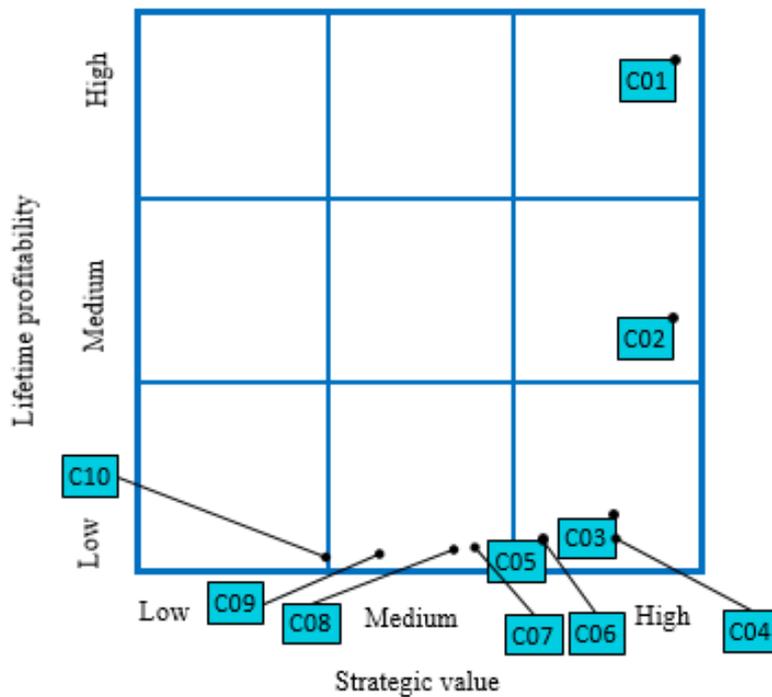


Figure 19. Case company customers in portfolio model by Gordon.

The next two models are originally created by Renato Fiocca. In the first step that was introduced in figure 7 in chapter 5.1, the vertical axis presents the relationship difficulty from sales person's perspective which was the third categorization question in the questionnaire. The horizontal axis is the strategic importance of the account, which is considered same as the previous "Strategic Value" in Gordon's model.

In this figure, customers C 01 and C 02 are ranked strategically very important but customer C 02 more difficult. However, their distance to customers C 03 and C 04 is not long. These customers are also seen strategically important and customer C 04 very easy to work with while customer C 03 is seen as difficult as is customer C 02. Customers C 06, C 07 and C 09 are ranked less important but easy to work with while customers C 05 and C 08 strategically important but moderately difficult. Customer C 10 has quite low importance and moderately difficult.

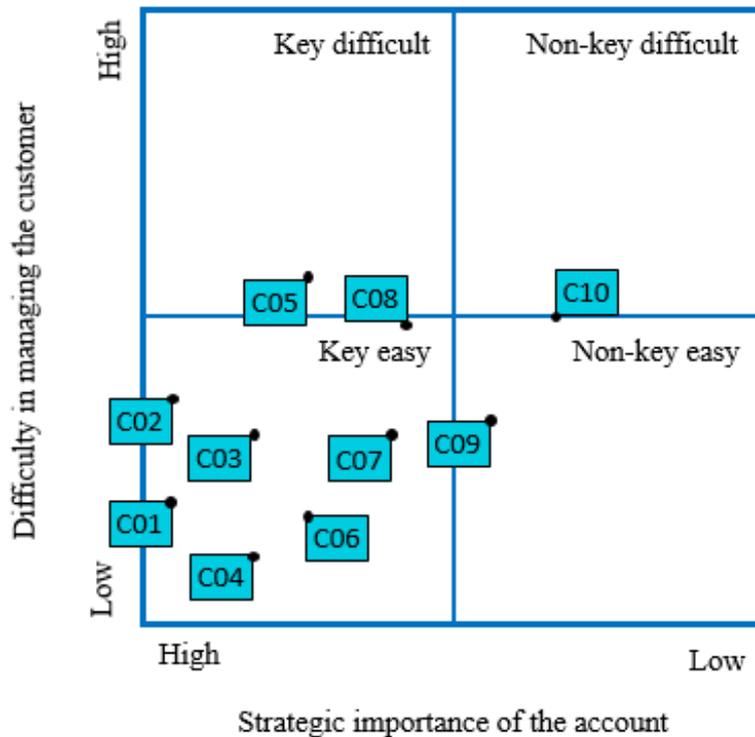


Figure 20. Case company customers in portfolio model step 1 by Fiocca.

Second step of the model which was introduced in figure 8 in chapter 5.1, defines customer attractiveness in the vertical axis and relationship strength in the horizontal axis. Customer attractiveness was the second question in the questionnaire. Relative strength is an average score from sales to customer, customer's share of total sales, customer's location and relationship age. In addition to the calculated values, original version of the model would require assessing development cooperation and management culture but they are not included in the evaluation. Ignoring few original model attributes is a somewhat questionable but it is considered that it won't cause the result to lose its reliability.

The interesting point in this figure is that since relative strength includes also other than just sales figures, only C 01 is in "Hold" category. One reason for this is that the case company has only few customers that operate in the Nordic countries which lowers the average score for other customers. Still no customer is in "Withdraw" category which suggest improving the relationship strength especially with customers C 05, C 02, C 03 and C 07, which have high customer attractiveness. Also customer C 04 that has lower relationship strength and customer C 06 which has less attractiveness are quite important

to focus, as they are strategically important and being less difficult in the previous figure. Customers C 09 and C 10 have lower attractiveness so increasing relationship strength with them might be more difficult than those with higher attractiveness. Also, these customers are close to the “Withdraw” category so it is suggested to give them more critical focus and see where the business is heading.

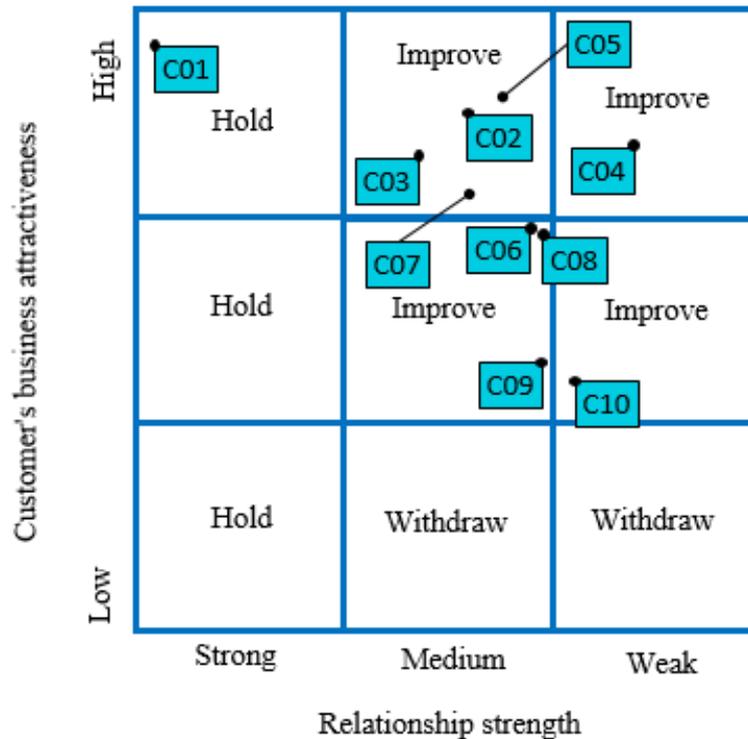


Figure 21. Case company customers in portfolio model step 2 by Fiocca.

The fifth model is the “KAISM” by Cheverton and it was introduced in figure 10 in chapter 5.1. The model describes customer attractiveness in the vertical axis and relative strength in the horizontal axis. In this model, same values are used for customer attractiveness as in the previous model by Fiocca. However, it is likely that there are some differences in attributes of customer attractiveness between the original models but since the attributes of Cheverton’s model are not known, it is only an estimation. In the questionnaire the question about customer attractiveness was described according to Fiocca’s description. Relative strength was the fourth question in the questionnaire. Original idea of relative strength is to get the customer to evaluate the business relationship with the supplier but for this research it was decided that the respondents would evaluate the relationship from the customer’s point of view.

The respondents' evaluate that customers C 01 – C 08 are highly or very highly attractive but also that the customers view their business relationship with the case company strong or very strong. By looking closer the upper right “Key account” category, there is a quite clear difference between customers C 01, C 02, C 04 and C 03, C 05 – C08. Customers C 09 and C 10 fall into the “Opportunistic account” –category and are clearly less attractive and also they might see the business relationship with the case company neutral or even weak.

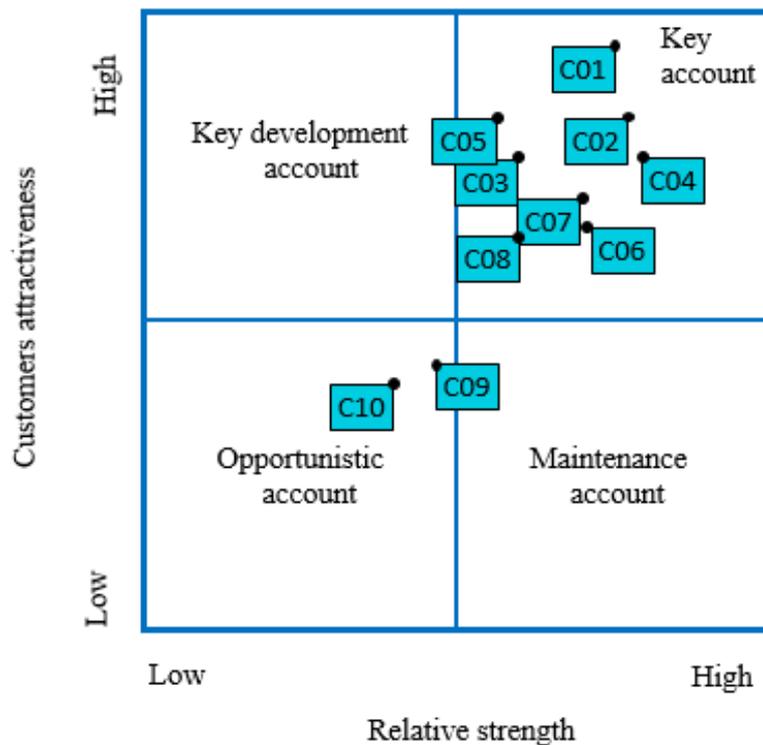


Figure 22. Case company customers in the “KAISM” model by Cheverton.

### 7.3 Comparing qualitative and quantitative factors

The final question is asking opinion of respondents where should the case company put emphasis when evaluating its customers; to quantitative calculated data like profit, sales and cost or to qualitative factors that were introduced in the previous topics 6.2.1 – 6.2.5: strategic value, business attractiveness, business relationship and unrealized potential. In the question it was described that qualitative factors are views, experience and opinions

of the case company employees and managers. In addition, justification of response was requested in the question.

Eight out of nine respondents gave their opinion about this question. Below are the responses, translated to English. In this question, most of the answers are quite extensive and point out that respondents have quite strong opinion what type of information should the case company emphasize. By analyzing the answers, roughly three respondents see that calculated data should come first, four see that both should be balanced and one sees that qualitative factors should be stressed over calculated data. For the case company it is good that most of the respondents are able to identify and some even see the importance of both information.

- I don't have comprehensive information about customers and I think there is not much of it in the after sales team. Based on this I would trust more to the calculated data at the moment.
- Sales and profit and important but alone give a false view to customer's need.
- In the customer interface one needs to observe the broad whole that consist of history data, current situation and future assessment made on these.
- I think the most important thing is to be close to the customer, understand their organization and decision making model and be in constant communication with them, however not daily. More emphasis should be put to sales and from there to profit. I believe more than 90% of our profit comes from 10% of our customers.
- The case company must put emphasis to calculate data. To K2-project, correct pricing of products and quality to lower warranty costs.
- Suitable proportion of both. Sometimes pure numbers don't tell the whole truth or possible potential to repeat orders or upgrading of old equipment.
- I cannot say
- Numbers are those that count in the end but of course opinions of experts tell a lot what these numbers could be in the future. So both are important but I would put emphasis to numbers.
- Preferably both. However especially with big customers, numbers must be viewed but with smaller customers it would be good to note also views and opinions.

Customer potential should be known even if sales would still be small, with good customer service and effort the potential can be developed

#### 7.4 KAM practices

In the KAM practices part, the respondents were asked five questions about KAM. The questions are all qualitative. The purpose of these questions is to give the case company information how its employees think about KAM. This information can help the case company sales management to direct the KAM process.

##### 7.4.1 Opinions about KAM

The first question inquired about the respondents' opinion about KAM in the company and how do the respondents' view the following points: is KAM required in the company, should the case company put more or less effort to KAM and does KAM fit the case company's business operations. The purpose of this question was to gather information what type of approach should the case company take if it would decide to introduce key account program. This question is important as in each new process, it is useful for a company to know what are the thoughts of a developed topic.

From the responses it is clear that there is a demand for a KAM process in the case company, as about six responses out of nine clearly state that it is seen important or it would suit the case company well. Even though the responses are quite short, it is seen that there is an interest to serve key accounts better. However, there is also a note that the process would suit better for project sales than after sales and that many times the case company operates with agents rather than end customers.

- The case company does not have enough key account management and I would see key account management an important thing to advance. In other words we don't know our customers very well. In after sales, agents are mostly in between and many times we don't know the end customer

- In which order maintenance visits are performed when they overlap.
- Key accounts are our most important partners. Key account cooperation must be developed and deepened in cooperation with the customer.
- Key account management suits well for the case company. However key accounts per person are to be thought carefully to ensure better service for key accounts.
- Would suit. Key account management probably works well in new building but poorly in after sales
- In key account system, the parties know each other well and can trust each other. Best practices are sought together to improve operations
- I cannot say
- I see it necessary and more effort should be put to it
- More effort must be put to key account management. It is important that biggest and most potential customers get more attention, while one-time inquirers and low hit rate customers can be left aside so that they won't take too much time from surely good customers

#### 7.4.2 Qualities of a key account manager

The reason for this topic was the discussion in topic 5.3.1 that focused to the sales force in KAM and especially what type of characteristics a key account manager should possess. Purpose was to find out, how the respondents' familiarity compare to theoretical knowledge. This is an important question because KAM is about people maintaining relationships so people and their attributes are in the center of the process. For a company, it is good information knowing its employees' opinions and views of a good key account manager since it points out level of knowledge about the topic and tells if there are people who might have misinformation.

By comparing some of the key account manager's qualities from theoretical knowledge that were introduced in topic 5.3.1 (such as: team coordination, maintaining relationships, leadership and coaching, ability to solve problems and communication), none of the respondents saw the coordination of resources and development of their abilities important. Probably the biggest reason for this, is that the theoretical knowledge

emphasizes the key account selling being different from normal selling as it is seen more strategic, while thoughts in the responses point to traditional selling which is understandable when thinking about the case company's sales persons work. However, there are responses that show relationship maintenance is viewed important and some also pointed out details such as having technical knowledge which is good trait in the case company's business.

- Understanding of key account management, desire to learn, negotiation skills and being social.
- Knowing to do the right decisions and understanding every customer
- Listening and understanding a customer and ability to develop a business relationship to a desired direction
- Understanding of customer's business environment from new building sales to after sales. Of course all key customers don't operate in both environments. In addition needs to have understanding the difference between Capex and Opex from customer's perspective, without forgetting technical knowledge. Also needs to have readiness to travel to customer many times a year.
- He/She needs to know his/her customers in every way. Customer's needs, demands, contacts, regular meetings and committing to customer's future needs. Must be service-minded and pro-active.
- Open, co-operative, listening the customer, having technical know-how
- I cannot say
- Ability to understand customer's needs and offer solutions that fit to it.
- Being social and active. Comprehensive vision of customers and their needs. Courage to make decisions, take action and see the trouble for the customers.

The third question can be considered a sub-question of the previous question. Purpose of it was to find out do the respondents see that there is already a key account manager type of a person working in the case company. Respondents were to refer to the statements they made in the previous question. From the respondents seven out of nine thought that the case company already employs these types of persons.

It must be noted, that responses to this question could have been different if the respondents would have been given a chance to read the theoretical part of this report before answering to this question. The reason for this assumption is because in the first part of this question, every respondent missed the importance of skill development and coordination of people. However, it is very good information for the company management since many of the respondents see that there is real key account manager potential already in the case company. Still, even with this information, current sales force development should not be forget.

#### 7.4.3 Approach to key account management

This question inquired which approach to key account management the respondents' prefer: group or individual. Group approach means that there is a team that is supporting key account manager who coordinates its actions and manages its resources, while individual approach means that the key account manager works mainly alone. Justification of answer was required. The purpose of this question is to get to know how the respondents think since the theory argues that team approach is more common nowadays, while it is noted that individual approach is common to less developed key account relationships.

It is clear from the responses that the question description should have been more detailed. Group approach did not mention team coordination, and this could have left the feeling where all group members communicating with the customer is seen somewhat chaotic. However, there are still good statements which point out, that about half of the respondents would select group approach and the other half individual approach. The reason for the individual approach support could be that persons don't have experience of group approach. Also, it could be that especially after sales customer relationships are seen being in a transactional level and because of that the respondents don't see an option for a group approach which is many times correct.

- I don't think that one person is enough to handle clients, groups are surely a better option.

- A group
- Best result is achieved by close cooperation when broad expertise and better reachability are available.
- Absolutely one person per key account. The biggest plus here is that one customer only has one contact person who coordinates matters to both directions. If this is done by group, there are too many situations where information is not available for all and that lowers service level.
- One person. Often it is clearer to work when there are less contacts on the other side.
- One person
- A group
- There should be one person with main responsibility but actions should not be complete soloing so that customer relationship does not suffer in a case the person for some reason is not working for the case company in the future.
- One person is responsible for key accounts on a general level but customers should have a named person, each team member with own customers to look after.

#### 7.4.4 Case company current KAM relationships

The final question in this part can be said to be a bit complex and therefore the description is quite long. The base for this question is in a figure 11 that is introduced in topic 5.3.2, the figure presents KAM lifecycle by Jobber & Lancaster and Buttle. The question is for the respondents to think does the case company have KAM relationships at the moment, and in what stages of the lifecycle these relationship are. In addition, the respondents are asked in case they can point out any KAM relationships, should the case company move closer to a more complex and collaborative relationship or to more simple and transactional relationship. The respondents are also asked, do they think could the case company customers have a key supplier system in use. Purpose of this question is to find out which customers the respondents would categories as key and are they able to point out the relationship status. This information is vital for the case company management as sales persons who work with customers daily, have comprehensive knowledge about many customers and know what happens in the relationship.

The question had a clearly too long description, since it resulted that the respondents did not answer to the final part about the key supplier system. However, five respondents were able state customers that they would identify as key accounts for the case company. Also, four respondents were able to put customers in a somewhere in the figure, one even close to Partnership-KAM which is the second highest level in the figure and the rest of the customers to somewhere close to the more simple and transactional level. Most of the respondents also mentioned customers that they see the case company already has a key account or similar relationship with. Five of the respondents mentioned C 01, C 02 was mentioned four times, C 03 two times, C 04 once, C 05 two times and C 06 once, in addition there were few indirect mentions and one mention to C X1.

From the responses, all critical information, such as customer names are replaced either with the customer tag from C 01 to C 10. Customers that are not mentioned in the ten most profitable table, are marked with a tag “C X” and a running number that is kept same for the customer.

- C 01, C 05 and C 03. I don't work with these customers so I cannot say where to put them in the figure.
- C 01, C 02, C 05 and agents.
- The case company has key account relationship with many customers, for example C 01, C 02, C X1 and C 03. These are close to Partnership-stage.
- I think that we don't have key account relationships. Future key accounts should be selected according to strategy not by shot in the dark. We are on the lower left corner taking first steps to KAM, not yet moved in the line.
- C 02 and C 01
- Even know in principle there is a key account system.
- I cannot say
- Our relationship with customer C 02 and with few engine manufacturers could be called a key account relationship and at the moment they can likely be put to the simple side in the figure.

- Agents, C 01, C 04, C 06. I don't know customers so well to comment about the stage but mainly I would keep the relationships more simple rather than complex since even there would be less key accounts to focus, lot of time is spent to other activities and to smaller customers. The more complex the relationship, less activities should be given to the sales person working with that customer.

## 7.5 Key account selection

The final part of the questionnaire is about key account selection. There are two questions: in the first question the respondents select three customers from the table of most profitable customers or any customer they can think of. In the second question they are asked to justify their selection. In order to link the key account selection and justification, the two parts are combined. Purpose of this question is to get respondents opinion which customers would be most beneficial for the case company to be selected as key accounts.

Each respondent selected three key accounts of their choice, however justifications in half of the responses are quite short which effects the credibility of the selections. Customer C 01 was selected in each response, this selection is understandable because it creates high profit for the case company. Same applies for C 02 which was selected six times. The reason for the popularity of customers C 01 and C 02 is most likely that they are important for the case company and are quite visible in both project sales and after sales segments.

Customers C 03 and C 06 were selected three times and customers C 04 and C 05 two times. In addition, there were two selections outside the profitability table, customer C X1 that was also mentioned in the previous lifecycle question and C X2 that the respondent think will have a large potential for the case company. These six customers bring less profit for the case company but their visibility in the company's business is high, however it is limited mainly to either project sales or after sales segments and therefore there are fewer selections.

- Customers: From profitability perspective C 01, C 02 and C 03. From after sales perspective C 01, C 04 ad C 02.
  - Justification: I only work with customer C 04. With them, operations are rapid and they always have good data in their inquiries that enables us to work quickly. With customer C 04, work time is also saved when inquiries have comprehensive information. Easy customer relationship.
- Customers: C 01, C 02 and C 03
  - Justification: Potential for new orders
- Customers: C 01, C 02 and C X1.
  - Justification: C 01 and C 02 are most profitable but C X1 has the best growth potential
- Customers: C 01, C 02 and C 06.
  - Justification: Personally I would select all engine manufacturers and the most potential after sales customers. From the engine manufacturers we get information about the end customer with whom we can create after sales relationship with. One of the greatest selection criteria for key accounts must be strategy of the coming years. What the case company want from these relationships in the coming 3 years. In addition the case company must be more prepared in the matter that key account maintenance requires travelling and face-to-face meetings regularly. Key accounts cannot be maintained with e-mail or with Skype even though they are useful.
- Customers: C 01, C 02 and C 05
  - Justification: New build customers. Shipbuilding markets are going to grow in the future. New build sales growth is the easiest way to grow after sales turnover.
- Customers: C 01, C 04 and C 06
  - Justification: Greatest potential. They already order a lot from us. They cover a lot of ships and power plants.
- Customers: C 01, C 02 and C 03
  - Justification: Good customer relationship is worth cherishing.
- Customers: C 05, C 01, C X2

- Justification: Customers with large potential
- Customers: C 04, C 06, C 01
  - Justification: In after sales side I see that C 04 and C 06 are the biggest customers that still have a lot of potential. Although in after sales side C 01 is not that large customers and albeit it creates work load, when looking at the big picture I would also keep it as a key account.

## 8 CONCLUSIONS AND DISCUSSION

Purpose of this thesis was to introduce key account management practices and customer categorization process for a case company. The research identified these as hierarchical steps that are part of customer relationship management. In this research, customer categorization supported the KAM process, but in practice a company can perform categorization operations without the need to implement any KAM practices and also create KAM practices without need of categorization. However, this report suggest to perform both as categorization reveals information how customers rank against each other and by creating KAM practices a company can introduce to the employees how to operate in a key account environment.

The research identified seven theoretical categorization matrix models that are used to group customers by using different attributes. Five models were used in this research. KAM practices were studied from existing theories and it was identified that KAM is largely a process that emphasizes the importance of people, especially key account manager and its team. In addition, for a company it is important to know depth and complexity of each meaningful customer relationship. The relationship state should have an effect how people interact between in a relationship interface and what kind of position a key account manager takes when working with its own company and with a customer.

For the categorization models and KAM practices, primary data was collected by using a questionnaire that was targeted to the case company sales force employees and managers. The questionnaire was long and some of the questions were quite difficult, which can be

identified being one reason that resulted short responses to questions where long response was expected. Therefore, it is suggested that if a company gathers qualitative data regarding key account management, there are few things to emphasize: Respondents' should have adequate knowledge about the subject or otherwise it is likely to result low quality responses, which is why companies need to train their employees to the subject they are planning to introduce. It is important that the questionnaire works dynamically so that length doesn't come a problem, also each question needs to be described well, which was a problem in few of the questions in the questionnaire conducted for this research. For a comprehensive analysis, a company should encourage all employees to respond, especially those who work directly with the customer.

Secondary data was collected from the case company ERP system and from various Excel documents. The data collection was problematic as the calculation required different types of information that was scattered in different places. Combining the data took some effort and support from the case company finance department. However, the researcher was able to create quite reliable calculation what kind of sales and profits customers have generated. The data was used in the questionnaire and in the research in two categorization models.

For a company it is important to know customer profitability. However, it is understandable that if profitability is calculated only by subtracting direct costs from sales it is rather simple, but if a company wants more detailed calculation, it should include many indirect costs as well. Nowadays it is quite normal that many and especially smaller companies have different smaller systems to hold different types of data. This is because they cannot afford or have not yet invested to a large system where most operations of a company can be handled, or where all or even most of direct and indirect costs are easily available. In some cases, it is also a question of common sense not to invest to a large system because they are usually built for large companies. For the case company, it is suggested to create customer profitability calculation process, which generates real-time profitability data using different data sources. This would require common agreement what data is used to calculate customer profitability, how it is generated and where it is stored. Data generation and storage processes should be made automatic, so that

minimum amount of work is required inputting the data. It can be expected that this would require some investments from the case company.

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## Key account management survey

Thank you for participating to the case company's key account management survey. This survey answers are used in a research that is used to study and create base for the case company's key account management. This survey is addressed to persons who work in customer interface in the company's project sales or after sales department.

This survey has 4 parts: Background information, Customer categorization, Key account management practices and Key account selection. Answering to this survey takes about 15 minutes.

All answers to this survey are strictly confidential and are handled so that respondent anonymity can be guaranteed.

All questions about this survey or this research can be addressed to:

Thank you for participating!

\*Pakollinen

### Background questions

In this section there are few background questions which helps to identify how business unit, position, years worked or knowledge of key account management affect responses.

In which business unit you work \*

- New sales
- After sales

What is your position \*

- Manager
- Employee

How many years have you worked for the case company? \*

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Are you familiar with concept "Key account management"? \*

Yes

No

If you answered "Yes" to the previous question, please describe what do you think concept "Key account management" means

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Are you familiar with concept "Customer categorization"? \*

Yes

No

If you answered "Yes" to the previous question, Please describe what do you think concept "Customer categorization" means

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## Customer categorization

In the below table are top 10 customers of the case company by profit that they have generated in the past three years (2015-2017). Profit is calculated by subtracting all direct and part of indirect costs from total value of invoicing to customer. All agents and distributors are excluded from the table because the business relationship is different from actual customers.

Purpose of this section is to evaluate these ten customers by using different categorization questions. These questions are more abstract and therefore they can't be measured only with numbers, therefore it is required that people who understand the customer and the relationship, evaluate these factors.

In each categorization question, you are asked to grade each of the ten customers from 1 to 5 where number 1 is the lowest grade, 3 is moderate grade and 5 is the top grade. If you have no experience of the customer in question, please select "I don't know". Note that in each question, customer's are presented in random order.

### Top 10 customers by profit 2015-2017

Customer	2015	2016	2017	Total
C 01				
C 02				
C 03				
C 04				
C 05				
C 06				
C 07				
C 08				
C 09				
C 10				









## 5. What is the amount of unrealized potential you see in these customers? \*

What do you think, does the customer have value that is not yet realized for the case company or are you already getting most of the value you can get? Value in this question means volume and profits. Customer with high unrealized value can bring more business to the case company unlike customers with low unrealized value which already bring business for the case company but there is not so much more you can get from them. Note that value that is going to our competitors is considered unrealized for the case company.

	1 - Very little	2 - Little	3 - Some	4 - Much	5 - Very much	I don't know
C 09	<input type="radio"/>					
C 03	<input type="radio"/>					
C 05	<input type="radio"/>					
C 07	<input type="radio"/>					
C 06	<input type="radio"/>					
C 01	<input type="radio"/>					
C 02	<input type="radio"/>					
C 08	<input type="radio"/>					
C 10	<input type="radio"/>					
C 04	<input type="radio"/>					

## 6. Compare profit factor to qualitative factors. \*

Compare the qualitative factors of previous questions: strategic value, business attractiveness, business relationship and unrealized potential to calculated values. What is your opinion, where the case company should put more emphasis; to the calculated data like sales, costs and profit or company employees&managers views, experience and opinions, when evaluating the case company's customers? Justify your answer.

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## Key account management practices

In this section you are asked few questions about key account management practices, like your general opinion about it, what kind of people are good key account managers and does the case company already have key account relationships.

### 1. What does key account mean to you and what it should mean to the case company? \*

What is your opinion about key account management in the case company, do you think it's needed? Should the case company put more or less effort to it? Does key account management fit to the case company's business operations?

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### 2. What do you think, what kind of qualities should key account manager possess? \*

What do you think are the most important qualities of a great key account manager?

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### 3. Do you think that the case company already employs persons that could work as key account managers? \*

Refer to what you just stated in the previous question. Does the company employ these types of persons?

Yes

No

### 4. What type of approach to key account management would you prefer, group or one person? \*

Which one you think would work better in a key account relationship, group that serves the key account or key account manager alone? Please justify your opinion.

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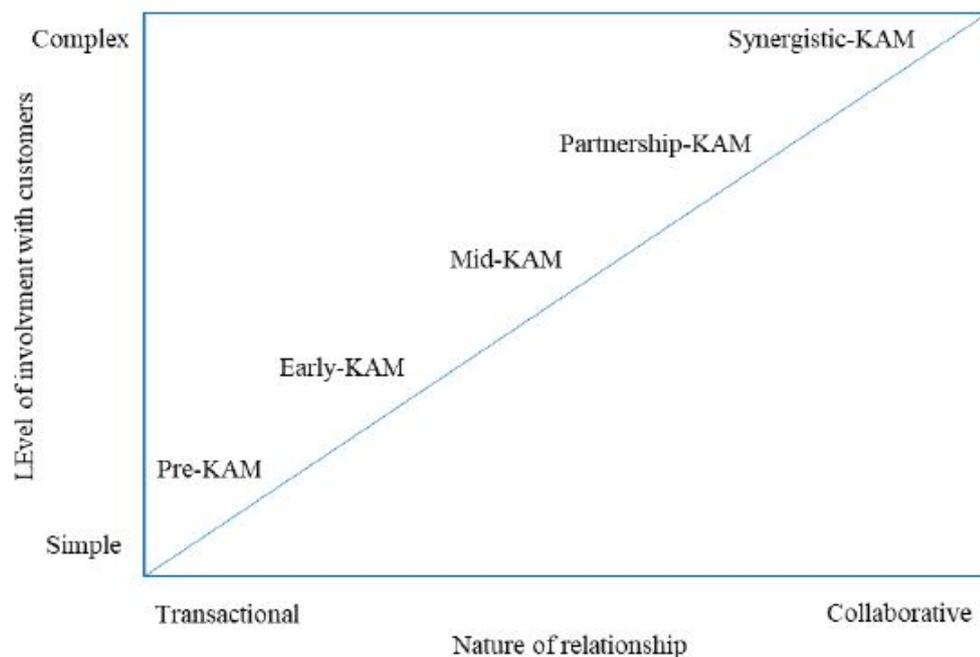
## 5. Does the case company already have active key account management relationships? \*

Write the customers you think that the case company already have key account management relationship with. At the same time, look at the below graph and evaluate are the relationships simple and in the early stages of the graph or more complex and collaborative? Also please state should the case company and the customer move closer to more complex and collaborative Synergistic-KAM relationship or to more simple and transactional Pre-KAM relationship? Also, estimate could these customers have a process that they use to manage supplier relationships, for example some kind of key supplier system?

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### Key account relationship evolution



## Key account selection

This is the last section of this survey. Here you are asked to select three (3) key accounts for the case company. You can use the table where are the ten most profitable customers but you can also choose customers outside the list. Just remember to justify your answer.

Customer	2015	2016	2017	Total
C 01				
C 02				
C 03				
C 04				
C 05				
C 06				
C 07				
C 08				
C 09				
C 10				

1. Which three (3) customers would you select as the case company's key accounts? \*

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2. Please justify why these three (3) customers should be selected. \*

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