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Sini Nordberg

KEY ACCOUNT ACQUISITION AND RETENTION IN THE UNITED KINGDOM PRIVATE MEDICAL INSURANCE MARKET

– Case study: AXA PPP healthcare

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The disciplines of customer relationship management and key account management have attracted a significant amount of attention in recent years from academics and practitioners alike. This thesis adopts a strategic key account focus to customer relationship management with the purpose of understanding how corporate key accounts are acquired and retained at a major private medical insurance provider in the United Kingdom. Having found a gap in extant literature on the components of special treatment enjoyed by key accounts, a sub-objective of this thesis is to provide a practical description of those components.

This thesis presents an exploratory case study on AXA PPP healthcare, one of the largest private medical insurance providers operating in the United Kingdom. To achieve the research objective, recent literature on customer relationship management and key account management were evaluated in the light of new empirical evidence gained from AXA PPP healthcare through semi-structured interviews with representatives from different levels of key account management operations.

Key account management is an established strategy for developing long-term mutually beneficial relationships with the most important corporate accounts at AXA PPP healthcare. The empirical findings correlated for the most part with what previous literature suggested as either implemented activities or as aspirations. The results highlight the importance of developing organisational competences to support the key account managers in developing personal level relationships with their contacts both externally and internally in order to successfully acquire and retain key accounts. Furthermore, the role of customer-centricity in key account management is seen as a prerequisite for business existence rather than solely a competitive advantage.

This thesis contributes to the growing body of literature on key account management combined with organisational design and behaviour. In particular, it offers a practical description of the delivery of special treatment to both prospect and existing key accounts as part of the processes of acquiring and retaining key accounts.

Sini Nordberg

AVAINASIAKKUUKSIEN HANKINTA JA YLLÄPITÄMINEN YHDISTYNEEN KUNINGASKUNNAN YKSITYISTEN SAIRASVAKUUTUSTEN MARKKINOILLA

Asiakassuhteiden hallinta ja avainasiakkuuksien hallinta ovat saavuttaneet suuresti huomiota lähivuosina niin akateemikoilta kuin ammatinharjoittajiltakin. Tämä opinnäytetyö omaksuu avainasiakaskeskeisen näkemyksen asiakassuhteiden hallintaan tavoitteenaan ymmärtää miten yritysavainasiakkuuksia hankitaan ja ylläpidetään merkittävässä yksityisiä sairasvakuutuksia tarjoavassa yrityksessä Yhdistyneessä kuningaskunnassa. Täyttääkseen aukon aiemmassa kirjallisuudessa, tutkimuksen osatavoitteena on antaa käytännön kuvaus avainasiakkaiden erityiskohtelun osapuolista.

Opinnäytetyön tutkivan tapaustutkimuksen kohteena on AXA PPP healthcare, yksi Yhdistyneen kuningaskunnan suurimmista yksityisten sairasvakuutusten tarjoajista. Tutkimustavoitteen saavuttamiseksi asiakkuussuhteiden sekä avainasiakkuuksien hallintaan liittyvää kirjallisuutta arvioitiin uuden empiirisen aineiston valossa; materiaali kerättiin haastatteluissa AXA PPP healthcaren edustajilta, jotka toimivat eri tasoilla avainasiakkuuksien hallinnan toiminnoissa.

Avainasiakkuuksien hallinta on AXA PPP healthcaressa vakiintunut strategia pitkäaikaisten ja molempia osapuolia hyödyttävien suhteiden kehittämiseksi tärkeimpien yritysasiakkaiden kanssa. Empiiriset löydökset korreloivat suurelta osin aiempien tutkimustulosten kanssa joko toteutettuina toimenpiteinä tai pyrkimyksinä. Tulokset korostavat yritystason kompetenssien kehittämisen tärkeyttä avainasiakkuuspäälliköiden tukemisessa; he rakentavat henkilökohtaisia suhteita yhdyshenkilöidensä kanssa ulkoisesti ja sisäisesti avainasiakkuussuhteita kehittääkseen.

Tämä opinnäytetyö lisää avainasiakkuuksien hallintaan organisaatiomalleihin ja – käyttäytymiseen liittyviä näkökulmia. Se tarjoaa käytännönläheisen kuvauksen mahdollisten ja olemassa olevien avainasiakkaiden erityiskohtelusta osana kyseisten asiakkuuksien hankinnan ja ylläpitämisen prosesseja.

ASIASANAT:

Asiakassuhteiden hallinta, avainasiakkuuksien hallinta, strategisten asiakkuuksien hallinta, yksityinen sairasvakuutus

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1 INTRODUCTION

1.1 Background

The amount of resources invested into building sustainable relationships with corporate clients is astonishing. In the 1990's the increasingly saturated and competitive business environment caused a shift in marketing emphasis to focus on one-to-one marketing with individual attention to customers rather than serving general product needs. Meanwhile, empirical evidence emerged on the positive relationship between customer retention and profitability, thus shifting focus from customer acquisition to customer retention (Doole, Lancaster & Lowe, 2005, 274-279). This lead to an academic discussion on a paradigm shift in marketing from the traditional transaction-based model affecting the Four P's (product, price, place, promotion) to a new model based on developing long-term customer relationships, boosting the growth of the disciplines of relationship marketing and customer relationship management (e.g. Osarenkhoe and Bennani, 2007; Doole et al. 2005, 276; Lindgreen and Antioco, 2005).

Receiving an enormous amount of interest during the past few decades both in theory and in practice, and yet remaining undefined, customer relationship management (CRM) was chosen as the topic of interest for this thesis. To narrow down the scope of this research, it was decided to study business to business (B2B) relationships, and furthermore focus was assigned to the most important corporate customer relationships, i.e. key accounts, thus incorporating the discipline of key account management (KAM) with CRM. In generating the research problem, interest was seen in the fact that some authors have argued that the relationship marketing paradigm should not overtake, and indeed has not done so in practice, the traditional marketing

paradigm, but instead transactional and relationship marketing should occur simultaneously (Brady, 2004; Lindgreen and Antioco, 2005). Thus, the processes of acquisition and retention of key accounts were both included in the research problem.

The context in which to study the acquisition and retention of key accounts was chosen as result of the researcher's prior employment and personal interest. As such, this research wishes to explore the customer relationship management and in particular the key account management strategy of a major private medical insurance (PMI) provider, AXA PPP healthcare, operating in the United Kingdom (UK). It is of particular interest to find out how their strategy compares to those found in the literature studied during the course of this research; which aspects can be found in previous literature, does the company's strategy include aspects that are not mentioned in any previous literature, and could previous literature provide the company with new ideas to be incorporated into their CRM/KAM strategy?

1.2 Purpose

The purpose of this research is to study the strategies used in the acquisition and retention of key corporate clients in the United Kingdom private medical insurance market. To achieve this, the key questions to answer are:

1 How do insurers acquire key corporate clients in the private medical insurance market in the UK?
2 How do insurers retain their key corporate clients in the private medical insurance market in the UK?

Also, having found a gap in existing literature on the components of special treatment received by key accounts implied by a KAM strategy, a sub-objective of this study is to provide a more detailed practical description of those components. Furthermore, it must be noted that this thesis is process-orientated, and as such does not attempt to evaluate the success of the key account management program of AXA PPP healthcare.

1.3 Methodology and Outline

This thesis took on an inductive theory building approach to theory development, and was conducted as an exploratory case study. In an attempt to answer the two research questions, two streams of literature were first reviewed: customer relationship management and key account management. From this, a theoretical framework was generated to assist in the collection of primary data in the form of semi-structured interviews and observation. These interviews were audio-recorded and transcribed, after which units of data were codified and categorised to enable qualitative data analysis.

Following this introductory chapter, Chapter 2 continues with a literature review of customer relationship management and key account management, at the end of which the two streams of literature are pulled together to create the theoretical framework. Chapter 3 offers a more detailed explanation of the research methods used in this thesis. In Chapter 4, the findings of the case study are presented with answers to the two research questions. Finally, Chapter 5 concludes this thesis with managerial and theoretical implications as well as suggestions for future research. A list of references and appendices of the interview protocol and data analysis template can be found at the end of this thesis.

2 LITERATURE REVIEW

In this literature review recent literature on customer relationship management (CRM) will first be explored, after which the same will follow for key account management (KAM). Attention will then be turned to building a theoretical framework on which to base the data collection process for empirical evidence on the acquisition and retention of key accounts.

2.1 Customer relationship management

In the following sections the basics of a CRM strategy will be explored in order to understand how and why companies engage in long-term relationship-building activities with their corporate customers, thus creating a basis for further studying the management of key customers at a later stage. The concept of CRM will first be defined, after which the key elements of this strategy are briefly discussed, followed by introducing the benefits assigned to CRM as well as the associated challenges and risks.

2.1.1 Definition of CRM

It has been recognised in recent literature that Customer Relationship Management is one of the most often discussed topics by both academics and practitioners alike (Heinrich, 2005; Sin, Tse & Yim, 2005; Osarenkhoe and Bennani, 2007). Wilson (2006) goes as far as saying it has become one of the most important areas in marketing and the overall management of the firm. However, it has also been noted that extant literature lacks consistency as to

how exactly CRM should be defined (Lindgreen and Antioco, 2005; Peelen, 2005, 3; Sin et al., 2005; Osarenkhoe and Bennani, 2007; Lambert, 2010). In general, authors have seen two different perspectives emerge from the literature; at one extreme is the technological perspective. Here CRM is seen as an information technology (IT) industry term viewed as a set of technological solutions, e.g. databases, data warehouses, software, sales force automation tools, and Internet capabilities, purchased or developed in order to efficiently manage customer relationships. (Xu, Yen, Lin & Chou, 2002; Chen and Popovich, 2003; Peelen, 2005, 3; Maguire, Koh & Huang, 2007; Osarenkhoe and Bennani, 2007). According to Osarenkhoe and Bennani (2007) this is the way CRM is commonly perceived in practice. However, many agree that considering CRM solely as a technological solution could have profoundly negative effects on successfully implementing a CRM program (Crosby, 2002; Xu et al., 2002; Chen and Popovich, 2003; Gummesson, 2004; Osarenkhoe and Bennani, 2007; Lambert, 2010). Indeed, the second and more widely accepted perspective considers CRM as a business strategy, where technology only serves as a tool (Crosby, 2002; Xu et al., 2002; Chen and Popovich, 2003; Gummesson, 2004; Lindgreen and Antioco, 2005; Peelen, 2005, 4; Osarenkhoe and Bennani, 2007; Lambert, 2010). Opinions on the exact role and level of importance of technology in CRM are varied, e.g. Xu et al. (2002) see technological solutions as a vital part of CRM, whereas Lindgreen and Antioco (2005) argue against the compulsory involvement of technology in the first place.

Another point of disagreement is the issue of the relationship dimensions involved in CRM. In an attempt to define CRM, many have approached the task by first studying what is meant by 'relationships' (Gummesson, 2004; Heinrich, 2005; Osarenkhoe and Bennani, 2007). Also, while Chen and Popovich (2003), among others, perceive CRM to have its roots in relationship marketing, Sin et al. (2005) recognise that the two terms are often used practically interchangeably. Gummesson (2004) states that it would be a mistake to limit

either to focus only on customer-supplier relationships, and that instead a network view of relationships should be adopted where all stakeholders, including the markets, government and the society, form networks of relationships. However, he still recognises CRM to emphasise customer-supplier relationships in particular. Sin et al. (2005) conclude that regardless of whether a customer-supplier dyad or a network view is used, the common theme between existing definitions of CRM and relationship marketing is the buyer-seller relationship, which firms can see to reside at the core of their strategic thinking. Along with two other differentiating factors they further state that it is in the realm of relationship marketing to consider all stakeholder relationships in addition to the buyer-seller relationships, while CRM is devoted to building relationships with key clients. In this research, the view of Sin et al. (2005) will be used, thus studying key customer relationships in particular, while still recognising the importance of the total management of network relationships, especially in B2B markets, as stated by Gummesson (2004).

Regardless of the fact that CRM has been so widely discussed, and yet is still lacking a commonly agreed definition, it would seem that few authors have attempted to come up with a clear-cut definition of their own. The following definition best serves the purposes of this study:

> "...it is preferable for CRM to be regarded as a business strategy from the start, one that is aimed towards developing long-term, mutually profitable, individual customer-supplier relationships and is based on an IT infrastructure to be developed, one that enables well-defined and controlled processes, and places capable personnel in a position to function optimally" (Peelen, 2006, 6).

2.1.2 Key Elements

Chen and Popovich (2003) name process, technology and people as the key areas to be addressed in order to successfully implement a CRM strategy. Crosby (2002) also adds that these three components need to be coordinated with the business goal of developing strong customer relationships. This is in accord with Peelen's (2006, 6) definition of CRM used in this research.

Process

According to Chen and Popovich (2003) it is often not clear to companies that all-embracing customer focused business process re-engineering is necessary when implementing CRM. They add that CRM is a "continuous effort" which should begin with a customer-centric view, taking customer feedback into consideration and thus making sure marketing and other business processes are integrated and organised in a manner that best serves the customers according to their individual needs and values. Maguire et al. (2007) also recognise the need for firms to become more customer-centric and that this could be achieved through the linkage between CRM and business process re-engineering.

Gummesson (2004) states that implementing CRM means changes throughout the whole organisation, which is in accordance with integrating all business processes. Gummesson's view also supports the idea that CRM requires everyone within the organisation to be committed to building strong customer relationships (Sin et al., 2005). This, again, means changes in the way firms are organised. According to Sin et al. (2005) the organisational structural designs best suited for building strong customer relationships are the ones based on interfunctional cooperation and integration. Lambert (2010) highlights the importance of a cross-functional approach to customer relationships, reminding

that all functions within an organisation are to be included in the relationship for maximum results, not only the "functions" of marketing with direct customer contact. In his paper, the CRM process has been divided into two parts: the strategic CRM process and the operational CRM process. In the former, the chief executive officer and a management team comprised of executives from different business functions identify key customers and determine the ways in which customer relationships are to be developed and maintained. In the latter, the strategic views of the management team are implemented by the customer teams assigned for each customer segment and for each key account.

Lambert's (2010) work is greatly involved around efficient segmentation out of which a key customer focus can be detected. This is also one of the four behavioural components surrounding CRM studied by Sin et al. (2005), who recognise it to involve "an overwhelming customer-centric focus". They hold that not all customers are equally profitable to the company, which is in accordance with the Pareto 80/20 rule that assigns 80% of a company's profits to 20% of its customers. They also argue that CRM is particularly concerned with singling out customers who are of strategic importance to the company, having the greatest customer lifetime value. It is with these customers that the company should build strong, interactive and collaborative relationships in order to be able to provide them with personalised offerings, thus enhancing company profitability. As key customers are of particular interest in this study, the views of Sin et al. (2005) on key customer focus being a cornerstone of CRM are accepted as fundamental for research purposes.

Technology

As mentioned earlier, it has been widely agreed that CRM should not be viewed as solely a technological solution, but rather as a business strategy enabled by technology. Indeed, Chen and Popovich (2003) recognise the importance of technology as a facilitator in the redesign of business processes required by

successful CRM implementation. In addition to this, they give credit to technological innovations as major factors in CRM development. Individual customer needs are better served due to innovations in the ability to collect, store, analyse and distribute customer data, improving the ability to acquire and retain customers (Sin et al., 2005). Crosby (2002) gives some examples of what these data can include: interaction histories, customer profiles, financial transactions, credit histories, product/service usage, and market research survey responses, among others. This information can then be used to interpret customer behaviour and patterns in order to develop predictive models and customised communications (Chen and Popovich, 2003).

Whereas Chen and Popovich (2003) state data warehouses, enterprise resource planning (ERP) systems and the internet as typical infrastructures involved in CRM, Xu et al. (2002) go into further detail in describing CRM solutions from the procedure perspective. They list different multimedia access channels, e.g. e-mail, fax and website messages; interaction tools, e.g. interactive voice response (IVR) and Web browsing for self-service purposes, and contact centres for assisted interaction; JAVA; workflow solutions; and marketing tools, e.g. data mining, marketing analysis, clustering and segmentation in addition to data warehouses. From the customer acquisition perspective, Wilson (2006) adds online databases to the list of technological CRM solutions. These mailing lists can be obtained from commercial vendors, and contain useful information on sales leads, such as contact details, financial information and key decision makers by name and title.

People

Chen and Popovich (2003) as well as Sin et al. (2005) state individual employees as the "building blocks of customer relationships", while still recognising the crucial role of technology and process in CRM. The structural changes brought on by implementing a CRM strategy will directly affect these

individuals who also need to adapt to the changes in corporate culture. These include adopting a customer-centric mindset (Chen and Popovich, 2003; Sin et al., 2005) and the ability and willingness to share information (Xu et al., 2002). Chen and Popovich (2003) highlight the importance of information and knowledge sharing so that there is no competition between different departments within an organisation, thus making it more customer-centric.

Ongoing top management commitment has been recognised as essential in successful CRM implementation; it must clearly communicate the strategy and how it will be realised (Osarenkhoe and Bennani, 2007). Often this involves solving departmental disputes arising from organisational changes by reinforcing a customer-centric corporate culture (Chen and Popovich, 2003). Top management support and involvement needs to take place throughout the entire CRM implementation in the form of making sure all necessary organisational competencies are in place (Crosby, 2002). Efficient communication that reaches employees at all levels must be emphasised so that it is clear to everyone what changes will take place due to a CRM strategy. Often people's jobs will be affected directly, which is why it is important for top management to implement training and education programs as well as adjust employee compensation, evaluation and reward programs in a way that encourages a customer relationship development orientation. (Chen and Popovich, 2003).

2.1.3 Benefits

Recent literature assigns numerous benefits to adopting a CRM strategy, not only for the organisation, but also for its customers. Three major organisational benefits emerge from the work of Chen and Popovich (2003): higher revenues,

lower operational costs and increased competitiveness, resulting in long-term profitability.

As mentioned earlier, a CRM strategy requires organisations to become more customer-centric, accordingly seeking to better understand the individual needs and values of their customers. The idea here is that by delivering the customers exactly what they want and how they want it, they will become more satisfied and eventually, hopefully, loyal customers, who are more likely to repeatedly use the supplier's products and services (Xu et al., 2002). Loyal customers generate higher revenues by becoming less price sensitive (Gummesson, 2004) and being more susceptible to cross selling, but also by becoming part-time marketers who spread positive word-of-mouth (Crosby, 2002; Osarenkhoe ad Bennani, 2007), thus helping in the acquisition of new customers without increasing sales and marketing costs (Gummesson, 2004). A long-term revenue stream could also be achieved through managing strong customer relationships built on trust, in which the customer receives superior value, which further results in competitive advantage for the seller (Wilson, 2006). In fact, loyalty and trust could be seen as going hand-in-hand, as according to Wilson (2006) loyal customers also value trust, in addition to other relationship dimensions such as commitment and convenience.

While the increased ability to process data can be used to develop competitive strategies in new ways (Wilson, 2006), it also facilitates resource allocation by assisting in customer segmentation. By collecting and analysing data on customer behaviour, it helps companies to recognise the most profitable customers, and on the other hand, the unprofitable ones (Chen and Popovich, 2003), allowing marketing efforts to be better targeted towards serving key customers (Lambert, 2010). Lindgreen and Antioco (2005) found that technological innovations helped the studied European Bank to segment its customers more efficiently by focusing on their individual behaviour rather than

socio-demographics. Obtaining information on customer habits and preferences directly from customer interaction also improves the new product development process (Xu et al., 2002).

By introducing changes to a supplier's business processes, CRM also improves operational efficiency (Xu et al., 2002). Examples include better customer service through data sharing (Chen and Popovich, 2003), simplified marketing and sales processes, increased sales force productivity by helping staff close deals faster (Osarenkhoe and Bennani, 2007), more efficient call centres and improved help desk service quality as well as the ability to allocate the right people to the right tasks at the right time (Xu et al., 2002). In their research of previous literature on customer satisfaction programs, Maguire, Koh & Huang (2007) suggest that better service quality increases customer satisfaction, which again increases employee satisfaction as a result of better pay through price premiums paid by satisfied customers, as well as a decreased need to deal with customer complaints. Satisfied employees are also less likely to leave, thus reducing recruitment costs for the company.

Following Peelen's (2006, 6) definition of CRM, developing mutually profitable relationships with customers requires that the customer sees value in the relationship as well. Having a customer-centric CRM strategy means that the company will genuinely strive towards understanding its customers' needs and wants and fulfilling them with excellence by optimising the customer experience. Customers will benefit from this in many ways, e.g. they receive customised offerings with special treatment, they are served efficiently and consistently, they are able to complete transactions conveniently regardless of the channel of contact (Chen and Popovich, 2003), and they have faster access to product and service information (Lindgreen and Antioco, 2005).

2.1.4 Challenges and Risks

Even though the benefits related to CRM are many, it should be noted that it still poses some challenges. Chen and Popovich (2003) name some consequences of a CRM strategy gone wrong: failed projects with unanticipated budget revisions and insufficient return on investment, loss of customer and employee confidence, and top management time and resources gone to waste.

It may be hard to prove the validity of a CRM strategy in accounting terms, which seems to be a widely discussed issue. Maguire et al. (2007) assign the problem to the small number of tangible benefits associated with CRM, and the difficulty of measuring the intangible ones. Furthermore, Gummesson (2004) recognises the difficulty of measuring long-term profits and losses related to the management of relationships over profits occurred on the short-term. He also criticises traditional accounting systems of not being able to portray the value of customer relationships regardless of the fact that building relationships is seen as an investment, and studies the possibility of measuring return on relationships (ROR). In addition to this, in his recent study Lambert (2010) demonstrates how the impact of CRM on a firm's financial performance could be measured by economic value added (EVA). However, it is interesting to note that Sin et al. (2005) conclude that CRM has a more beneficial impact on a firm's marketing performance, measured by means of customer satisfaction and trust, than on its financial performance, measured by return on investment and return on sales. They further point out that financial performance can be boosted as a result of improved customer retention due to advances in marketing performance.

Besides the problem of measuring the success of a CRM strategy, it also puts a strain on human resources. As said earlier, CRM requires many changes to

processes, culture and the organisational structure, directly affecting employees. Companies must understand that implementing a CRM strategy requires long-term change management efforts to make sure the purposes behind this strategy are understood by everyone within the organisation, and that employees are included in the development process from the start (Lindgreen and Antioco, 2005). Employee resistance may arise because they do not understand the full potential of a technological CRM solution due to a lack of provided information. The system is then likely to be used wrongly or its full capacity is not being utilised optimally. Employees may also feel overwhelmed by the amount of data suddenly available to them, and do not know how it can be best transformed into valid customer knowledge. (Crosby, 2002). Involving employees in the implementation and decision-making process from the beginning may reduce resistance to it, as does an efficient training program (Xu et al., 2002). However, it is not only the employees who need training, but as Crosby (2002) points out, often top management lack sufficient knowledge and experience on data analysis.

Employee resistance and improper usage are not the only challenges to overcome when it comes to implementing a technological CRM solution. Xu et al. (2002) recognise the lack of appropriate network infrastructure as a major cause of failure in CRM implementation. All technological components must be integrated tightly together along with the customer database, and further the entire CRM system is to be incorporated with external corporate applications and systems, such as ERP and e-commerce applications, so that information is put into use as efficiently as possible from disparate systems. They also perceive merging old and new technologies to be a major challenge to the organisation, as well as avoiding automating the business functions too much.

2.1.5 Summary on CRM

To briefly bring together the discussion on customer relationship management in this section, the discrepancies in the literature on CRM were recognised and the concept finally defined as an overall business strategy with the aim of building mutually profitable and long-term customer relationships with the help of an IT infrastructure to be developed. It was also found that in order to successfully implement a CRM strategy, the key elements of process, technology and people are to be aligned with the business goal of building strong buyer-seller relationships. The benefits of CRM have been found to cover both the selling and the buying organisation; for the seller the benefits culminate as long-term profitability as a result of higher revenues, lower operational costs and increased competitiveness, whereas the customer benefits from the overall improvements in customer service. Finally, a CRM strategy was found to pose challenges and risks to the selling organisation, e.g. a problem of measuring the success of CRM, employee resistance straining human resources, and the need to incorporate old and new IT systems into an appropriate network infrastructure, while risking project failure, wasting resources, insufficient return on investment and losing customer and employee confidence.

According to Storbacka, Sivula & Kaario (1999, 14), strategic account management (SAM) (also called key account management in this paper) "forms an integral part of the Customer Relationship Management (CRM) activities within a firm, having a sustaining function as well as generating function within the firm" (Storbacka et al., 1999, 23). They also define strategic accounts as the most valuable customers of the firm. As such, these key or strategic accounts could be seen to represent the core of a supplier's customer base, thus positioning KAM at the centre of CRM, as illustrated in Figure 1. This section on CRM has developed understanding of the general customer relationship

management activities within a selling organisation, thus creating the base for KAM activities. As the focus of this research is on key accounts in particular, the next section will cover the basics of key account management.
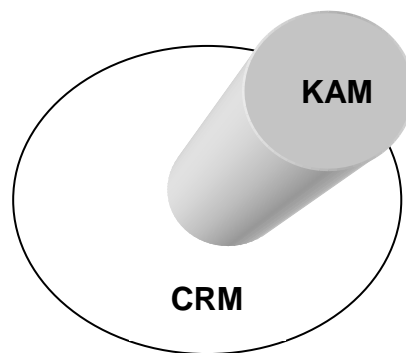
Figure 1. The relationship between CRM and KAM

2.2 Key account management

As mentioned before, having a key customer focus is based on the idea that not all customers are equally profitable, and that strong collaborative business relationships should be built with those who are of strategic importance to the selling company by providing them with an individualised offering. In the following section the notion of key account management will first be defined, its key elements discussed and its benefits to the selling company and the key account itself will be introduced. Finally, KAM poses challenges and possible risks, which are often ignored in practice, thus it is also necessary to include them in this discussion.

2.2.1 Definition of KAM

In his literature review on the development of the idea of key account management (KAM) Zupancic (2008) recognises that KAM has been around for more than 30 years, studied both in theory and practice. Many authors have recognised that a number of different terms are used in sales and marketing literature to denote basically the same concept (Spencer, 1999; Ojasalo, 2001; Ivens and Pardo, 2008; Al-Husan and Brennan, 2009). In addition to key account management, these terms include strategic account management (SAM), national account management (NAM), large account management, major account management and national account marketing. However, as Al-Husan and Brennan (2009) note, it has also been widely accepted by researchers in the field that these terms do not seem to have any essential conceptual differences. Thus, adopting Al-Husan and Brennan's (2009) approach to dealing with this variation in terminology, key account management will be used as the general term in this research, only employing other terms in

accordance to the choice of terminology of other researchers when referring directly to their work.

While Brady (2004) considers KAM as an approach to relationship marketing (RM), Ojasalo (2001) sees KAM as a marketing management approach based on relationship management, stemming from the recognition of the importance of developing long-term business relationships with major customers. Similarly, Brehmer and Rehme (2009) see KAM programs as a way to increase sales through developing existing customer relationships and actively searching for new opportunities as well as meeting changing customer demands arising from various changes in the buying organisation's internal and external business environment. They additionally conclude that KAM has developed from being solely a sales strategy to being a central dimension in the corporate structure, or a strategic coordination for the organisation as a whole. Piercy and Lane (2006) also recognise that to many organisations strategic account management represents a means of forming a closer collaborative relationship, a form of partnership or alliance with major customers, with a high degree of cooperation and integration of business processes, thus going well beyond of simply being a sales strategy.

A long-term relationship marketing approach, as opposed to a short-term transactional one, is indeed one of the characteristics of KAM found by Ojasalo (2001). The other characteristics include emphasising both operational and strategic level capabilities; a business-to-business market focus, rather than focusing on consumer markets; combining both goods and services in offering management; aiming at shareholder value and profitability instead of traditional marketing management goals such as sales volume and market share; and, finally, the KAM literature aims to combine theory and practice, although much discussion has focused on theoretical analysis.

Furthermore, Ojasalo (2001) highlights the need for KAM to function properly on both organisational and individual levels, given that organisations in business-to-business relationships are always represented by individuals. Zupancic (2008) concurs with Ojasalo's view, recognising that a professional KAM framework addresses company management as well as key account managers and/or teams, and divides KAM into "operational KAM" and "corporate KAM". Here, operational KAM involves the key account manager/team analysing the situations of the customer, the supplier itself and the competition, and further developing and realising the account plan; corporate KAM on the other hand refers to corporate management or a designated head of the KAM program integrating the program throughout the company and aligning corporate strategy, structure and culture to support the program. In addition, Millman and Wilson (1996) have focused their work towards studying key account management competences on organisational (macro) and managerial/occupational (micro) levels.

The Strategic Account Management Association (SAMA) summarises the requirements of a strategic account management program:

> Installing a comprehensive strategic account management approach within a company requires significant financial investment, long-term focus and multi-functional capabilities along with substantial restructuring of the sales organization (SAMA [referred to 16.5.2010]).

The SAMA ([referred to 16.5.2010]) also holds that, historically, clients who have qualified for a differentiated status share some common characteristics: a centralised, coordinated purchasing organisation with multi-location purchasing influences, a complex buying process, large purchases, and a need for special services.

Indeed, it has been widely recognised in previous literature that central to a KAM approach is treating strategically important customers differently to other customers, providing them with more individual offerings and other benefits (Hughes, Foss, Stone & Cheverton, 2007; Ivens and Pardo, 2008; Al-Husan

and Brennan, 2009). According to Millman and Wilson (1996) an implied promise, and an expectation, of special treatment comes with granting key account status to a customer. Zupancic (2008) further notes that even without a formal KAM program companies often provide their most important customers with differentiated treatment. The nature of this special treatment will be discussed further in this research at a later stage.

The definition of key account management used in this research is by Zupancic (2008), and is chosen as it best synthesises the most relevant points in the discussion above:

> Key account management means systematic selection, analysis and management of the most important current and potential customers of a company. In addition it also includes the systematic set up and maintenance of necessary infrastructure (Zupancic, 2008, 323).

2.2.2 Identifying key accounts

Spencer (1999) draws focus on adopting a "strategic" approach where the key customers are seen to possess strategic value to the supplier, not merely financial potential. While recognising that size and profit potential are often high on the list of key customer characteristics, Spencer (1999) concludes other strategic value dimensions to hold similar importance, e.g. reference value, overall image in the marketplace and new product design and development. Likewise, Storbacka et al. (1999, 9) call strategic accounts "the most valuable clients", and stress the need to view these clients as assets, whose value is to be developed in order to favourably influence shareholder value. Ivens and Pardo (2008) are also advocates of the strategic value approach, and further conclude that key account status is not only for long-term customers, but can be given to prospects also due to the fact that importance of a customer does not only stem from accumulated turnover. However, if these key accounts already

represent a great deal of a company's profits, they also pose a risk to the supplier (Brehmer and Rehme, 2009), and thus SAM could be seen as a defensive strategy for the supplier to ensure relationship longevity (Storbacka et al., 1999, 35). Zupancic (2008) describes key accounts simply as customers a company cannot afford to lose without serious negative consequences and, similarly, Spencer (1999) sees them as representing high stakes to the selling organisation.

In his work, Wilson (2006) recognises that customer relationships may diminish over time, and eventually even dissolve altogether, making it critical to acquire new customers to replace the old ones in order to ensure long-term success. He suggests the concept of Customer Lifetime Value (CLV) could be used in new business prospecting as a means for selecting customers for CRM programs. Here the monetary value of a certain customer's transactions over time is estimated and weighed against the costs of serving the customer. In Wilson's (2006) research the high number of prospect customers in a simple mailing list database was reduced through the following process: current customers' lifetime values were estimated and they were divided into categories of "good", "better" and "best", after which a profile for each category was developed according to variables accepted as valuable in market segmentation. Then these profiles were matched by a computer program against the prospects in the database, who were again categorised as "good prospects", "better prospects" and "best prospects", followed by sales telephone interviews of a sample drawn from the prospects left on the list. The research results showed the percentage of positive responses to increase as the level of priority of the customer increased, meaning that the prospects, whose profiles matched the profiles of the current "best" customers, were more receptive than others, and should thus be selected for CRM programs. Sin et al. (2005) also mention key customer lifetime value identification as a way to decide if a customer should be offered individualised treatment. However, it should be emphasised here that CLV measures only the economical value of a customer, leaving out

other value dimensions discussed in KAM literature as being of significance in selecting key customers. Thus, as Wilson (2006) states, CLV can be used as a tool to segment the market for future attention by the company's sales force.

Xu and Walton (2005) suggest the use of analytical CRM in identifying strategically important customers, i.e. high lifetime value customers, benchmarks (early adopters of new products), customers who inspire changes in the supplier, and customers to whom a particularly high volume of fixed costs can be assigned, thus allowing smaller customers to become more profitable. Their research found that companies implement CRM more often in order to improve operational efficiency, instead of gaining strategic customer knowledge, which is what analytical CRM is for. Customer knowledge acquired on existing, defecting and new customers as well as prospective customers and those loyal to competitors, should be analysed through a number of analytical tools, resulting in generating customer profiles, identifying behaviour patterns, determining satisfaction levels and supporting customer segmentation. Although acquiring new customers is considered less profitable than retaining existing ones, obtaining new customers is still seen as a competitive strength of the company and its senior managers. Analytical CRM can provide the means of profiling and analysing prospective customers. (Xu and Walton, 2005). Although Xu and Walton (2005) speak of CRM, their views on analytical CRM could be applied in KAM also, as it has been understood to reside at the core of CRM.

2.2.3 Key Elements

In his work Zupancic (2008) has developed an integrated framework of key account management, which includes the levels operational KAM and corporate KAM, which were explained briefly in the previous section. He further recognises five dimensions of KAM, which need to be dealt with on both

operational KAM and corporate KAM levels; the dimensions are strategy, solution, people, management and screening. It should be kept in mind that whereas operational KAM is concerned with relations with individual key accounts, corporate KAM deals with the overall KAM program for all key accounts. Also, being a sub-set of CRM (Storbacka et al., 1999, 171), many of these key elements of KAM correlate closely with the key elements of CRM discussed earlier in this literature review.

Strategy

Zupancic (2008) sees the dimension of 'strategy' to include the role of KAM within the overall corporate strategy as well as the selection of strategies for individual accounts. On the operational KAM level this means gathering and analysing the information that the key account manager and/or team needs on the key account itself as well as on competitors who may possibly be serving the same account, and also realising the selected strategy for each account. Ojasalo (2001) presents some examples of selecting suitable strategies for key accounts in terms of power positions between the seller and buyer, common interests and relationship objectives, pinpointing the possibility to choose another strategy if opportunities should change.

On the corporate KAM level Zupancic (2008) sees "strategy" to involve the integration of KAM strategy in the corporate strategy and top management support in this mission, a view also adopted by Millman and Wilson (1996) and Brady (2004). Spencer (1999) also highlights the importance of KAM in the overall corporate strategy and the need for the entire organisation to acknowledge it. This can be seen to be in accordance with creating a customer-centric focus in the firm's overall customer relationship management strategy. Zupancic (2008) additionally assigns corporate KAM with the tasks of defining the selection criteria for key accounts and systematically using these criteria in finding the right customers for key account treatment. Millman and Wilson

(1996) present strategy formulation/implementation as one of the KAM organisational competences to be developed.

Solution

'Solution' refers to the fact that many companies require all-encompassing business solutions, from programs to support services to contracts and pricing, that can be implemented consistently throughout the organisation including different international and national locations (Zupancic, 2008). Ojasalo (2001) refers to this idea of offering a bundle of product and service attributes and other benefits as system selling in which KAM plays an integral part. He also states that sometimes it may not be clear to the key account customer what kind of a solution is best in the long-term, which can be the case if the problem is complex and requires special expertise which cannot be found within the buying organisation itself. In this situation the selling organisation may need to persuade the customer to accept the product/service offering that gives not short-term but long-term benefits.

For operational KAM "solution" means analysing the customer's individual needs in terms of their own range of products and services and in terms of what the supplier is offering them currently, as well as realising the customised business solution that will be offered to the key account, and determining the degree to which the supplier will work with the key account on innovation management. Nätti, Halinen and Hanttu (2006) acknowledge the difficulty of matching customer needs with organisational competences and state it is the key issue in CRM and KAM, which can only be achieved through "intensive interaction" between the supplier and the customer and within the supplier organisation

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On the corporate KAM level, however, it has to be determined how much key accounts can influence the selling organisation's product and service range. The development of innovations initiated by key accounts is to be integrated and these innovations transferred to the general product and service range on offer. (Zupancic, 2008).

People

Just as in literature concerning CRM, people are seen as a key success factor in KAM. In Zupancic's (2008) framework on the operational KAM level it is of importance to determine the competencies needed to best serve each key account and to nominate the people in the key account team, as well as analyse the individual needs of the people already involved in a particular relationship. Meanwhile, on the corporate KAM level it is crucial to acknowledge the pivotal role of outstanding staff in the success of KAM and continuously analyse their competencies, as well as provide the staff involved in KAM with training and development programmes. It is also within the realm of corporate KAM to appoint key account managers from within the organisation. (Zupancic, 2008).

In his empirical research, Brady (2004) found the KAM unit to hold an intermediation role between the supplier and the key account by developing relationships externally with the client and internally within the supplier organisation, as illustrated in Figure 2. Furthermore, the client directors, i.e. key account managers, were given a crucial position in performing this task. Similarly, Nätti et al. (2006) found the KAM system to function as a "linking pin" in a loosely coupled, or fragmented, organisation facilitating customer-specific knowledge transfer. Here key account managers in particular were given the responsibility for accumulating and sharing customer-specific knowledge. The findings of Brady (2004) and Nätti et al. (2006) highlight the importance of capable staff as a key success factor in KAM.
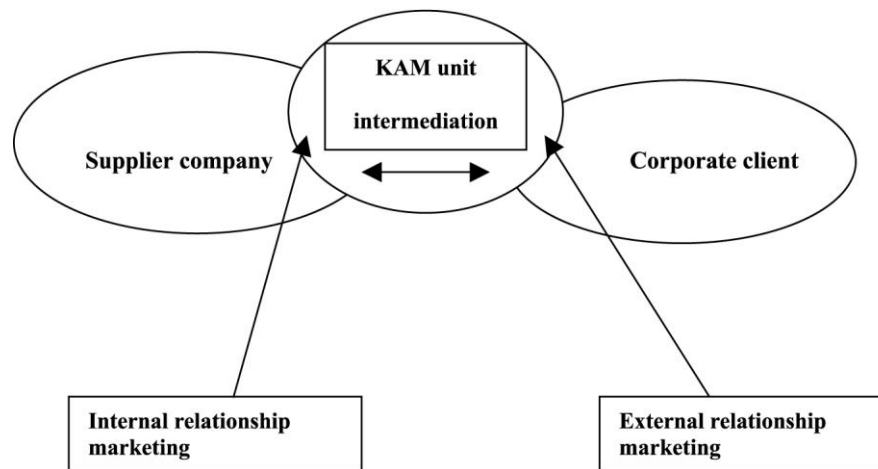
Figure 2. The KAM unit role of intermediation across the supplier/client interface (Brady, 2004, 147)

Storbacka et al. (1999, 37) emphasise the need to choose the right people in the KAM program, and matching key account managers with the correct key accounts according to their competencies; clearly defining the roles and responsibilities of key account managers, appointing the right people for the job and creating development programs for key account managers are considered as critical success factors. The necessary competencies, roles and tasks of key account managers and key account teams seem to have been widely discussed in the literature regarding KAM (e.g. Storbacka et al. 1999, 90; Brady, 2004; Nätti et al. 2006; Zupancic, 2008; Al-Husan and Brennan, 2009), although in the mid-1990's Millman and Wilson (1996) stated that there was "no established body of literature covering the training and development of key account managers". However, detailed study and analysis of this aspect of KAM goes beyond the scope of this research.

Management

The dimension of "management" represents to Zupancic (2008) aspects such as processes, structures and coordination. On the operational KAM level this

means analysing the ways in which a particular account is dealt with and the leadership approaches used by the people involved in the key account relationship. It is also necessary on the operational level to define and realise the processes needed to serve the key account and to coordinate interfaces and resources within the supplier organisation. (Zupancic, 2008). Ivens and Pardo (2008) found in their study that internal process coordination is important to a successful KAM programme, and thus cooperation is needed from all functional departments in order to translate key customer problems to supplier solutions, a view shared by Storbacka et al. (1999, 110). This is in accordance with the need for cross-functional cooperation in the organisation's overall CRM strategy. Zupancic (2008) names supporting KAM by corporate culture (also one of Brady's (2004) recommendations) as one of the tasks of corporate KAM in the 'management' dimension, in addition to advocating the acceptance of KAM-processes and structures throughout the entire organisation, and defining the formal organisation of KAM. Millman and Wilson (1996) as well as Ojasalo (2001) also recognise the possibility of adjusting the selling company's organisational structure in order to better meet the needs of key accounts. Al-Husan and Brennan (2009) on the other hand discuss the positioning of the key account management function within the organisation, in particular the possibilities of it being a part of the sales department or standing alone as a separate function, as well as the possible number of levels of key account managers, how many managers there should be on each level and the number of accounts assigned to each key account manager.

Screening

The aspects involved in this dimension are knowledge, information and data. On the operational level the existing ways in which success of KAM activities are measured should be analysed, and the measuring process itself is to be realised. The tools that are in use to support the KAM process also need to be analysed, and knowledge management and corporate learning from KAM experiences should be ensured. On the corporate KAM level corporate

controlling and reporting systems that support the recognition of KAM success need to be put in place and controlling measures that are specific to KAM should be added to the general IT system. (Zupancic, 2008).

Nätti et al. (2006) studied the role of KAM in customer-specific knowledge transfer in professional service organisations, and found the key account manager to facilitate knowledge absorption from the customer as well as its diffusion by developing collective understanding of the customer through e.g. creating client plans and case descriptions. Thus, knowledge generation is also facilitated and tacit customer-specific knowledge can be institutionalised more easily. With a strong internal network the key account manager was also found to function as a "linking pin" in transferring and making use of the expertise-related knowledge residing in the supplier organisation. A key account team on the other hand was found to facilitate the processes of knowledge diffusion and exploitation, and as a forum for discussing customer-related issues also facilitates knowledge sharing and generation. However, Nätti et al. (2006) emphasise that knowledge transfer cannot be supported by a KAM system alone, but other organisational practices are needed also, naming internal IT systems, service concepts and co-operative working methods as the most significant practices. Furthermore, they suggest that concentrating on organisational processes that support the transfer of tacit knowledge might be of more value to a professional service organisation than investing in acquiring and codifying explicit knowledge into IT systems. Figure 3 illustrates the findings of Nätti et al. (2006).

THE FACTOR CASE
ORGANIZATIONAL CONDITIONS:

• Strong culture supporting co-operation
• Metrics supporting co-operation

KAM SYSTEM DESIGN

• Key-account manager recruited from inside of the organization → good internal network
• KAM team as an internal integrator between different expertise areas
• Client plans formed
• Linking pin for both customer and expertise–related knowledge

OPERATIONAL PRACTICES

• Tacit customer-specific knowledge codified and gathered into a common IT system
• Service concepts defined.
• Co-operative working methods in use.

KNOWLEDGE TRANSFER facilitated

CONSEQUENCES FOR THE CUSTOMER

■ Better potential for customer value creation
■ The potentially closer relationship

THE AUCTOR CASE
ORGANIZATIONAL CONDITIONS:

• Individualistic culture
• Functional structure
• Strong subgroups
• Metrics creating competition

KAM SYSTEM DESIGN

• Key-account manager recruited from outside → no internal contact network
• No KAM team established
• Does not function as a linking pin for customer and expertise-related knowledge

OPERATIONAL PRACTICES

• Tacit customer-specific knowledge possessed by individual professionals, not codified or gathered into a common IT system
• Deficiencies in the service conceptualization
• Lack of cooperation among experts

KNOWLEDGE TRANSFER was not facilitated

CONSEQUENCES FOR THE CUSTOMER

■ Deficient customer value creation perceived as a lack of innovativeness and a narrow offering
■ The relationship remains weak

Figure 3. KAM system implementation in the two case companies: Factor and Auctor (Nätti et al. 2006, 313).

The success factors of a SAM program listed by the Strategic Account Management Association sum up many of the key aspects discussed above:

"Critical success factors for SAM include organizational alignment, senior management commitment, processes and systems for communications and knowledge management, selecting strategic accounts, account planning, relationship and program metrics and the potential to realize the benefits of a mutually profitable strategic account relationship (SAMA [referred to 16.5.2010]).

2.2.4 Benefits

The benefits of a key account management program to the seller organisation are both tangible and intangible. The tangible benefits discussed in recent literature include increased profit margins as well as market and customer share (Al-Husan and Brennan, 2009; Brehmer and Rehme, 2009). However, it should be noted here that according to Ivens and Pardo's (2008) empirical research results, key account management programs do not allow suppliers to realise price premiums, which is against common assumptions on the benefits of KAM.

Intangible benefits are more numerous. According to Al-Husan and Brennan (2009) organisations engaging in a KAM program can expect to enjoy closer relationships with its customers and development of trust, a view also adopted by Brehmer and Rehme (2009), who see improved communications and information sharing between the seller and the buyer as a result. Brehmer and Rehme (2009) also discuss the benefit of ensuring continued orders from the customer as an outcome of having only one person or team dealing with each customer, when this dedicated person/team has acquired specialised knowledge of the customer, thus making it easier for the supplier to solve customer problems. Brehmer and Rehme (2009) also found existing KAM literature to recognise reduction of conflicts and commitment to maintaining the relationship, as well as enhanced ability to manage sales process complexity as benefits of a successful KAM program. In addition to this, Al-Husan and Brennan (2009) add to the list of benefits enhanced purchase intentions and referral business on the customer's part, as well as improved customer base stability, which could be seen as correlating with Ivens and Pardo's (2008) findings on KAM reducing internal uncertainty, that is, reducing the difficulty to predict customers' actions by enhancing their commitment to the relationship through KAM. Storbacka et al. (1999, 33) also brings up the point of referral business; when a strong relationship has been built with the customer, they are

more likely to recommend the supplier to others, thus they operate as advocates of the supplier, which can consequently make the acquisition process more effective.

In his "Model of customer benefits in business-to-business relationships" Ojasalo (2001, 207) recognises that products and services received are often the main reason why a customer chooses to remain with a certain supplier, but elaborates further on a number of other benefits that the customer can enjoy as a result of engaging in a B2B relationship, namely, products, services, information, reference value, security, new competencies, new business opportunities and social relations. However, he stresses that these benefits do not necessarily take place at the same time. Also, when looking at this list of benefits it becomes apparent to the reader that, discounting the products and services, the other benefits could be seen to be mutual benefits, also bringing value to the seller.

By 'information' Ojasalo (2001) refers to the valuable information the buyer can receive from the seller on itself, competitors or potential customers, whereas 'reference value' means the improvement of the account's own image by cooperating with a seller who possesses a positive image in the marketplace. By 'security' Ojasalo (2001) means increased certainty of the future, as well as the account's improved trust on the seller's products, services, information, economical aspects and other parts of the relationship, which reduces the buyer's need to control the seller and thus leads to savings on time and money. 'New competencies', such as organisational learning and improved managerial and other competencies result from cooperating with the supplier, who can also provide expertise or even demand the buyer to improve its own organisational practices. By cooperating with the seller, the account also has an opportunity to increase its own sales by possible joint research and development (R&D) or new product development ventures, or by making use of the seller's network.

Finally, 'social relations' refer to benefits including friendship, sense of caring and ego-enhancement. (Ojasalo, 2001).

Key account value strategies

Pardo, Henneberg, Mouzas & Naudè (2006) study the meaning of value in KAM from a multifaceted perspective, stating that without all parties involved in an exchange relationship perceiving value to be existent, no exchange will take place. They find three types of value to be existent in key account relationships:

- Exchange customer KAM value. Here the supplier creates value for the customer to appropriate, which is the most commonly perceived type of value in KAM.
- Proprietary supplier KAM value. From this perspective KAM is seen as a function that improves the internal efficiency of the supplier's processes to produce wanted exchange results with lower costs, without any necessary direct value creation or net benefits for the customer.
- Relational KAM value. Here it is the key account exchange relationship itself that creates value, hence relational value cannot exist without the cooperation of both the supplier and the customer. Just as the value creation process is shared between both partners, so are the net benefits, which are often associated with e.g. quality initiatives or joint new product development activities.

From these, Pardo et al. (2006) derive three key account value strategies (KAVS) from the supplier's perspective linked to the types of KAM value discussed above: exchange customer KAVS, by which customer needs are satisfied for profitability without presupposed trust and commitment; proprietary KAVS, by which KAM is implemented for improving internal efficiency; and relational KAVS, by which value elements are created only through cooperation

and commitment from both parties. In determining which value strategy to focus on, the supplier must take into account the value orientation of the customer and clearly communicate the chosen focus. However, on the flip-side this also applies for the customer, thus the value strategies of both parties in a key account relationship should be partly "matching", which can be achieved through negotiations. It should also be understood that the value foci and strategies are not mutually exclusive, thus they can take place at the same time in different proportions, and value strategies can change as the exchange relationship develops. The key account value model of Pardo et al. (2006) is illustrated in Figure 4.
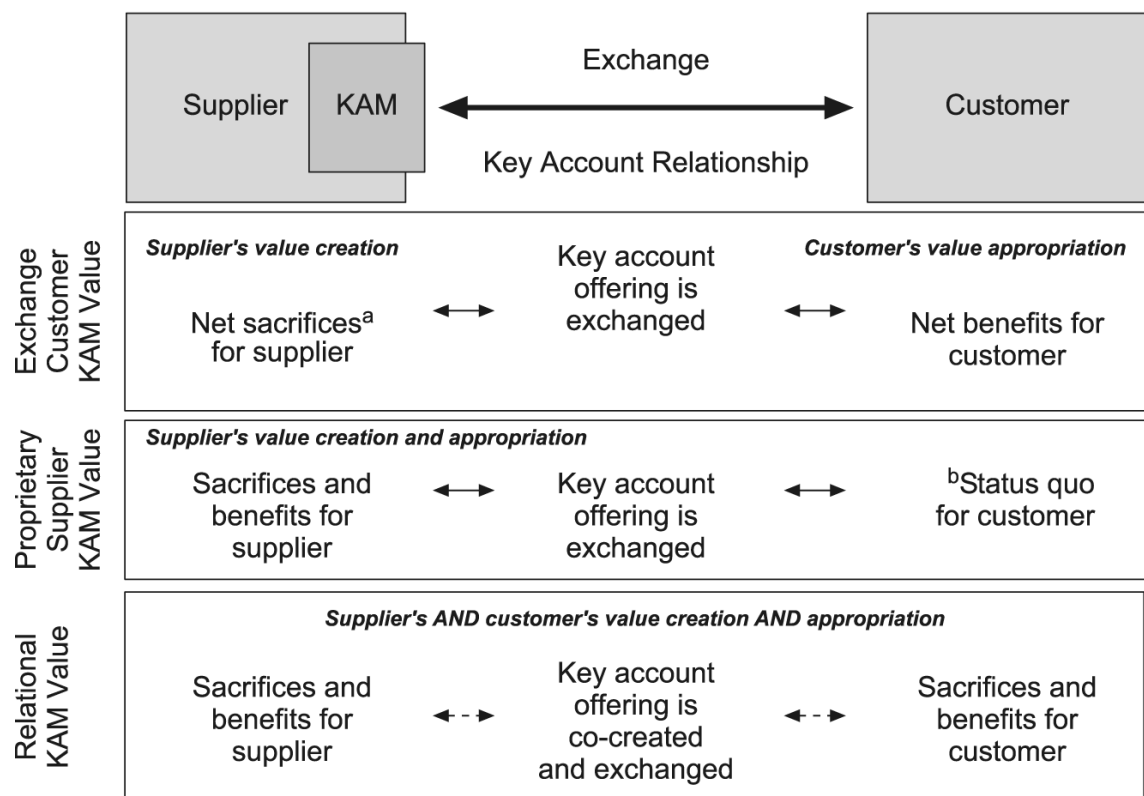
Figure 4. Key account value model (Pardo et al. 2006, 1366).

Components of special treatment

Even though "special treatment" received by key accounts is recognised as an integral part of key account management by many, authors do not seem to go into much detail on the specific components of the key account offering. For instance, Al-Husan and Brennan (2008) merely list some components without any further elaboration: better service, special payment methods, discounted or free maintenance contracts, and lower prices on certain service bundles. Similarly, Nätti et al. (2006) speak of supplier created key account-related value comprising of aspects such as reduced prices, priority ordering, extra after-sales service, privileged access to the supplier etc. However, regardless of the fact that the components of the special offering should be moulded according to the specific needs, wants, industry and characteristics of the customer and the account relationship, Storbacka et al. (1999, 73) found some components to be common in many industries and different types of account relationships: strategic account organisation, account plan and account planning, account executive program, access channels, flexible financial arrangements, guarantees and open book accounting. According to Pardo (1999) it is not easy to list particular tools needed for key account management, however she presents two categories of tools which positively affect the information sharing within and between the external network (network surrounding the key account) and internal actors network of the account; the information system (gathering, processing, expanding and redistributing data) and, also, the account plan.

Strategic account organisation

Storbacka et al. (1999, 73) emphasise the role of the account manager (AM) as the central and most common part of all strategic account programs, and sometimes as the only extra benefit allocated to an account. As the collaboration and mutual dependency between the seller and the buyer increases, and the more important the seller is to the customer's operations, the more likely it is that an account team is needed as the network relationships

become more complex and difficult to handle. The AM and the account team must be carefully selected and managed, their tasks and responsibilities defined, and they must be supported by a systematic SAM program. (Storbacka et al. 1999, 89).

Account plan

Pardo (1999) describes the structure and role of the account plan to be self-explanatory, with mainly two functions; it serves as a memory of the supplier-buyer relationship, as well as a plan of action for a particular key account. Similarly, Storbacka et al. (1999, 74, 113) describe it as a blueprint of the relationship, a database in which the planning steps are documented, and it should result in understanding of the relationship goals (target setting), and a clear description of the actions that are to be taken in order to reach those goals within the planning period (action planning). Correspondingly to the account plan, Lambert (2010) speaks of a product and service agreement (PSA) to be developed with the key account, matching the requirements of the customer with the capabilities of the supplier and its profit goals for the customer. This PSA should include a continuous improvement and communication plan.

Pardo (1999) sees the account plan as a means for internal communication between the people involved in the account relationships, whereas Storbacka et al. (1999, 74, 119) emphasise its use as a communication tool with the account itself, as well as an input to resource allocation for the planned actions and a facilitator for recognising new opportunities with the key account.

Account executive program

This refers to the individual level relationships in KAM. According to Storbacka et al. (1999, 96) strategic relationships sometimes require executive involvement to strengthen the bond, as it may be difficult for the account manager to gain access to the customer's top executives, who are likely to hold

important information for the provider's value creating opportunities. The provider executives need to be carefully selected to match with the right contacts on the account's side, and they need to be supported by a client information system. The information they have gained on the key account during their regular meetings with the account representatives is then added to the account plan.

Al-Husan and Brennan (2008) speak of the importance of personalised, informal relationships with key decision makers and influencers in emerging economies, while Ojasalo (2001) notes the key account's representatives to have their own individual interests (rational and emotional) in mind in addition to those of the buyer organisation. For key account management this would mean facilitating the contact's job and interacting with them according to their preferences, even building friendships by engaging in social contacts and events outside of the work environment. Ojasalo (2001) also mentions the possibility of offering the account representatives small personal favours, gifts or advice, which are not against business ethics, law and regulations.

Access channels

Storbacka et al. (1999, 75) describe the ease of access to information as one of the key benefits of the SAM offering. These access channels available to key accounts include e.g. customer service, product information, sales personnel, technical service, e-commerce, access to the account plan and action plans. CRM technologies can be utilised in key account management practices in a number of ways, for example an account specific extranet can be created to enhance the efficiency of communications; account specific telephone numbers can be provided for automated prioritisation in call centres and integrated voice response (IVR) can be used to support self-service of simple transactions; and e-commerce can be introduced and customer-performed ordering facilitated through internet technologies. (Storbacka et al. 1999, 142). Although technological CRM applications may offer some lucrative cost-cutting solutions

to providers, it should be remembered that personal relationships are crucial to key account management, and that companies are in danger of replacing personal contact with technological solutions (Hughes et al. 2007)

Flexible financial arrangements, Guarantees and Open book accounting

Storbacka et al. (1999, 76) found two kinds of financial arrangements to be generally used in strategic account management; the first relates to offering the customer the use of the provider's own risk management capabilities to combat against market price fluctuation, and the second relates to a more efficient administration of invoicing on a periodical basis instead of on a transactional basis, and on invoice automation.

Guarantees could include value quantifying measures, e.g. service guarantees, customer satisfaction guarantees, operational (e.g. delivery time) guarantees and guarantees to access resources (Storbacka et al. 1999, 77).

By open book accounting, Storbacka et al. (1999, 77) mean the idea of creating a mutual profit and loss statement of the account relationship, by which decisions can be made on the division on profits and losses between the seller and the buyer. This is implemented more typically in account relationships where co-production and resource sharing take place in order to reduce the costs of the relationship and to ensure mutual commitment to relationship enhancement.

2.2.5 Challenges and Risks

When studying the literature on KAM, it seems to lack discussion and research into the possible downsides of a KAM strategy. Piercy and Lane (2006) have tackled just this issue and recognise that the possible negative consequences of SAM have been widely ignored also in practice by companies and their

strategy advisors. They draw particular attention to the dangers of the new model of creating close collaborative supplier-buyer relationships instead of simply focusing resources on major accounts.

Firstly, Piercy and Lane (2006) bring up the possibility of investing too heavily on a small number of key customers. According to them, the 80/20 model predicts such high supplier dependence on these few customers that effectively the supplier is handing strategic power over to those key customers, whose business consequently becomes riskier and less attractive as a result if they choose to use their power to their own advantage to get concessions and price advantages, thus becoming less profitable than other less dominant customers. This could mean falling prices, commoditisation of products and ultimately lower profits for the supplier. (Piercy and Lane, 2006). Storbacka et al. (1999, 23) and Al-Husan and Brennan (2009) also recognise that because of the strategic importance of key accounts they can often hold power advantage in the supplier-buyer relationship. According to Piercy and Lane (2006) the challenge for the supplier is to find a balance in holding close relationships with key customers, while also holding onto other customer groups, who can get more susceptible to competitors' actions if too much attention is diverted over to key accounts (Al-Husan and Brennan, 2009), as a way to reduce the dependency on a few customers.

The second issue raised by Piercy and Lane (2006) deals with recognising where long-term profits really come from and especially with the risk of failing to differentiate between major accounts and strategic or key accounts. They advocate a closer analysis of the customer portfolio in order to avoid unproductive investments on unprofitable relationships and possibly failing to recognise future development possibilities of accounts in the middle market, where long-term profit may reside. The risk of neglecting customer prospecting, and thus not enhancing the customer base, is also noted by Al-Husan and

Brennan (2009). Figure 5 shows a typical customer portfolio by Piercy and Lane (2006).
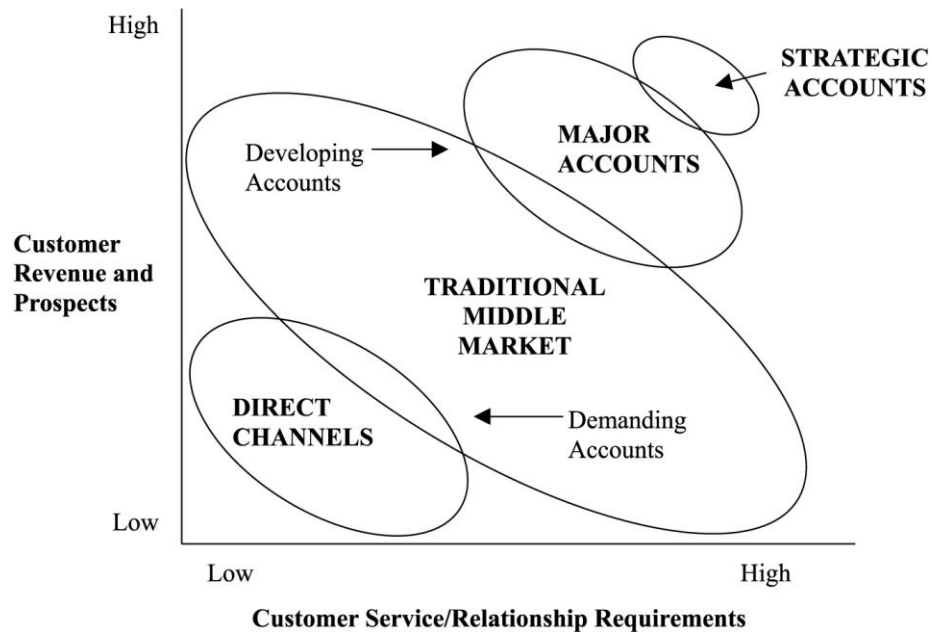
Figure 5. Mapping customer prospects and relationship requirements (Piercy and Lane, 2006, 21)

Thirdly, Piercy and Lane (2006) stress the need for suppliers to understand the rarity of relationship alignment in practice, and to understand the importance of matching seller and buyer relationship requirements. They warn of frustration that can arise when the supplier wants and requires a closer relationship than the customer is willing to enter into, and of conflict arising from the customer wanting more than the supplier is willing to provide. The alignment of relationship strategy is illustrated in Figure 6.
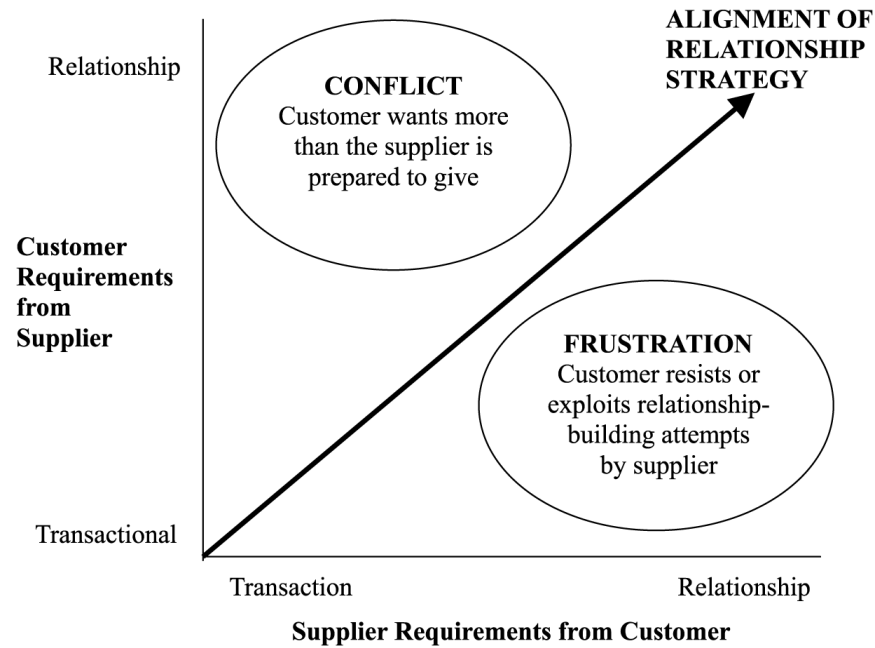
Figure 6. Customer and supplier relationship strategy (Piercy and Lane, 2006, 22)

The fourth risk in SAM is somewhat related to misunderstanding the buyer's relationship requirements; misreading customer loyalty could have serious repercussions on the seller's business. Change in the customer's own business environment and strategy could mean need for changes to its supplier base, thus it is of great importance for the seller to accept that in practise strategic supplier relationships may be temporary and subject to change. Hence, the supplier should be cautious of tying its own success to the success of the customer's business in the customer's marketplace. (Piercy and Lane, 2006). Spencer (1999) also warns of the difficulty in managing key account relationships due to the customer's complexity and its own strategy and motivations. Storbacka et al. (1999, 15) meanwhile speak of the importance of constantly evaluating the customer base as it keeps evolving in order to determine the current status of existing relationships as well as finding new and potential strategic accounts.

Finally, Piercy and Lane (2006) point out the possibility of a SAM strategy attracting the interest of competition regulators as the special treatment provided to key accounts and the close relationship practices between the account and the seller can cause a potential anti-trust violation. It is possible for this to take place if the seller is considered to be giving unfair advantage to some customers at the expense of other customers.

Besides an unforeseen fall in sales volume, the collapse of a key account relationship can have serious negative effects on the supplier's business, including losing the entire company if the end of the relationship is a very public one, thus making the seller vulnerable to predators (Piercy and Lane, 2006). Additionally, a number of other consequences can be named:

> ...the end of a SAM relationship may impose additional and substantial costs – adjusting operations capacity to allow for short-term volume reduction, disentangling integrated systems, rebuilding processes previously shared with the key account, reallocating or removing personnel previously dedicated to the key account, putting in place new arrangements to retain whatever residual business there may be in the account (Piercy and Lane, 2006, 23).

2.2.6 Summary on KAM

This section has defined key account management as a systematic process of selecting current and potential key accounts according to the value they pose for the selling organisation, analysing and managing them with special treatment and setting up infrastructure to support this strategy. It was found to address two levels, operational KAM and corporate KAM, both of which need to function on five dimensions, named strategy, solution, people, management and screening. The benefits of a KAM program were also discussed to include both tangible and intangible ones which create value to both the seller and the buyer organisations; e.g. mutual benefits included improved information sharing, reference value, new competencies and security. Additionally, key account

value strategies were briefly discussed. It was also recognised that the components of special treatment received by key accounts are not widely discussed in extant literature, however some components were found to be common across different industries and account relationships: strategic account organisation, account plan and account planning, account executive program, access channels, flexible financial arrangements, guarantees and open book accounting. Finally, the challenges and risks often ignored by academics and practitioners involved in KAM were introduced, mainly stemming from investing too heavily on a small number of customers, thus increasing dependency of success on those customers, creating power imbalance in the buyer-seller relationship and possibly attracting attention from competition regulators.

2.3 Theoretical framework

In this section a theoretical framework for the acquisition and retention of key accounts is derived from the conducted literature review on CRM and KAM. This framework will firstly be used to support the empirical data collection process in terms of designing an interview plan. Secondly, it will be reviewed in the light of the resulting empirical evidence.

2.3.1 Building a theoretical framework

In answering the research questions of how key accounts are acquired and retained, it is of importance in this research to first understand the elements of the organisation's key account management program, which are assumed to support the acquisition and retention activities, without forgetting the benefits

and challenges associated with the program. In the literature review, it was concluded that KAM could be seen to reside at the core of an organisation's overall CRM strategy, and as such the key elements of KAM closely correlate with the key elements of CRM. Thus both CRM and KAM are seen to affect the key account acquisition and retention activities.

The prevailing philosophy behind a customer relationship management strategy, and consequently key account management strategy, holds that relationships with customers should create value to both the selling and the buying organisations. Furthermore, it was concluded that key accounts should be selected according to their current and possible future strategic value to the selling organisation, and that both existing customers and prospects can be given key account status, which makes them eligible for individualised special treatment through which value can be created for the customer. The components of this special treatment could be seen as a means to retain existing key customers, but also as a means to attract new key account prospects when the possibility of receiving such treatment is presented to them.

However, Storbacka et al. (1999, 23) recognise that all strategic accounts cannot be considered the same, that they require different value creation processes according to the characteristics of the customer itself and the characteristics of the relationship between the customer and the seller. Similarly, Maguire et al. (2007) use the customer life cycle tool to realise that the needs, wants and desires of newly acquired and loyal customers differ tremendously, a fact that should be, but often is not, recognised also in practice in order to turn new customers loyal and retain already loyal customers. Thus, in this research the acquisition and retention processes for key accounts will be considered separately, as well as the management of those processes.

In short, the CRM and KAM programs/strategies are seen to support and create a base for

- providing special treatment to prospect and existing key accounts;
- the process of acquiring and retaining key accounts;
- managing the processes of acquiring and retaining key accounts.

The theoretical framework for the acquisition and retention of key accounts is illustrated in Figure 7.
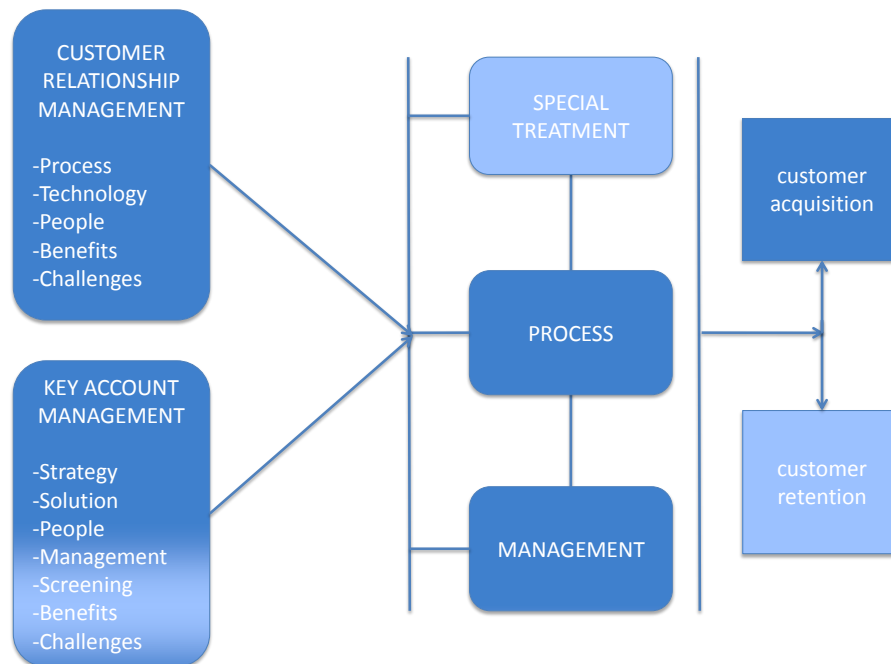
Figure 7. Theoretical framework for the acquisition and retention of key accounts.

3 RESEARCH METHODOLOGY

In this chapter the research design and method will first be explained, after which the case of AXA PPP healthcare and the UK PMI industry will be briefly introduced. After this, the data collection process will be described along with how the qualitative data obtained from interviews was analysed. Finally, the limitations to this study are discussed at the end of this chapter.

3.1 Research design and method

The topic area of this research requires an emphasis on an inductive theory building approach to theory development, as opposed to a deductive theory testing approach, as it would be difficult to start with a theory or a set of hypotheses for the following reasons adapted from the views of Lindgreen and Antioco (2005):

- CRM and KAM are contemporary phenomena;
- there still seems to be confusion over what CRM/KAM constitute; and
- accepted CRM/KAM principles and constructs are still to be established.

However, as prior theory will be used here to guide the primary data collection process, it cannot be denied that elements of deduction are also involved (Perry, 1998). Within the inductive approach, the realism paradigm was seen as the most appropriate one, as the research objective is grounded in the real world of CRM and KAM practice, and the approach allows reality to be studied with multiple perceptions from appropriate information rich sources (Healy and

Perry, 2000; cited in Hughes et al. 2007), in this case interviewees with direct experience of CRM/KAM in the UK PMI market.

Saunders, Lewis & Thornhill (2007, 133) recognise three categories of research purpose most commonly used in research methods' literature: exploratory, descriptive and explanatory. This research is seen as exploratory in nature, as it seeks to assess the CRM/KAM phenomena in the light of new empirical evidence from the UK PMI market, as well as open up new avenues for future research within this context. An exploratory approach also allows for flexibility in terms of the research process, which is seen as helpful given the unestablished nature of the phenomena in question. (Saunders et al. 2007, 133). Within the exploratory scope of this research the sub-objective of attempting to provide a detailed description of the components of special treatment offered to key accounts within the specific context of the UK PMI industry is seen to be descriptive in nature. Furthermore, although this research is not explanatory as it does not seek to establish causal relationships between variables, the flexibility of the exploratory scope allows this research the possibility to find potentially causal relationships to be tested in the future.

In order to probe into the two 'how?' research questions, a case study strategy was deemed to be the most suitable method. The case study method has been defined by Yin (1994, 13; cited in Lindgreen & Antioco, 2005) as an empirical inquiry that "investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are clearly not evident, and in which multiple sources of evidence are used". As CRM and KAM are clearly complex social phenomena, it would have been unwise and difficult to pre-select a number of variables for data collection, thus limiting the ability to explore and understand the research context and the processes being enacted (Saunders et al. (2007, 139), i.e. acquiring and retaining key accounts. The case study method facilitates the broader

understanding of the research context and allows for the researcher to be a part of the research process in terms of contextual observation.

3.2 Case Study Research: AXA PPP healthcare

AXA PPP healthcare (or AXA PPP) was selected as the single case in which to gain an initial understanding of CRM and KAM practices as the researcher was able to gain access to the organisation and held prior knowledge of the organisation's working practices due to a past employment relationship. A single case study was selected as opposed to having multiple cases, as it was seen to be unique in the sense that CRM and KAM have not been previously researched in the UK PMI market.

3.2.1 Private Medical Insurance Market in the United Kingdom

Private medical insurance is a private sector source of funding for health care in the United Kingdom (Wallis, 2004). Private funding operates alongside, but distinct from, the public sector funding provided by the National Health Service (NHS). In terms of health care delivery, the two sectors are relatively integrated, with some perceived benefits of PMI over the NHS: faster access to treatment, a more comfortable care environment, a wider choice of specialists, treatment facilities and timing of treatment. The core benefits of a PMI product are cover for the costs of treatment for acute conditions and related services e.g. accommodation, nursing and outpatient services. The PMI market divides into two: the individual market and the corporate market, which is the interest of this research. Corporate PMI is purchased by employers to their employees as a work-related benefit. (Foubister, Thomson, Mossialos & McGuire, 2006).

The factors affecting the corporate market PMI growth rates are the general economic climate, the competitiveness of PMI pricing and employer attitudes to PMI (Foubister et al. 2006). Indeed, independent analysts Laing and Buisson (2010) found the demand for PMI in the UK had declined in 2009 as result of the economic recession:

> Company funded policies (covering PMI and self-insured) fell by 4.7% in 2009 to be 3,050,000, following a marginal rise of 0.7% a year earlier. Widespread job losses led to a narrowing in coverage and recession induced business casualties led to a pick up in lapses. (Laing and Buisson, 2010)

Thus, the development of the PMI market was seen to depend largely on the strength of the UK economy with lagged effects of the recession causing it to "remain subdued for some time" (Laing and Buisson, 2010). However, although this fall in PMI demand was the largest annual fall on record, it was nevertheless seen small enough to possibly denote product strength, given that it occurred during the worst of the recession, and PMI was seen to hold onto its popularity amongst employers.

AXA PPP healthcare is one of the most influential players in the UK PMI market. This creates some flexibility around the PMI offering:

> In terms of relationships with providers of medical care, insurer market power appears to matter. Insurers negotiate discounts with providers, which they can then pass on to their customers in the form of reduced premiums or as hospital network options. (Foubister et al. 2006, xvii)

3.2.2 Company Profile

AXA PPP healthcare is one of the leading providers of private medical insurance in the UK, and uses a network of over 250 selected hospitals and some 400 scanning centres to service individual clients as well as corporate

workforces of all sizes. The organisation has thrived on the success of pioneering a plethora of client-specific plans and products, ranging from packages designed for company employees, to child-specific plans. On the corporate side, AXA PPP offers a range of business medical insurance plans and healthcare solutions to suit the needs and budget of a corporate client. The comprehensive private medical insurance and cash plans are available on both a company-paid and voluntary employee paid basis, with the aim of helping them find the right balance of cover that's right for that particular business. (AXA PPP healthcare [referred to 23.4.2011]) Besides the core PMI product, AXA PPP healthcare offers health information services for customers and healthcare commissioning services for primary trusts, and forming AXA UK's healthcare arm with AXA ICAS and Denplan, employee assistance programs and dental cover are also available for clients (AXA UK [referred to 23.4.2011].

AXA PPP healthcare is a part of the France-based AXA Group, which employs approximately 110,000 people worldwide. Operating nearly 70 years in the UK PMI market, in 2009 the company paid out £793.6m in healthcare benefits. Despite its roots in the UK health insurance market, the company created AXA PPP healthcare International in 2009 in response to the growing demand of the international market. (AXA PPP healthcare [referred to 23.4.2011])

3.3. Data collection and analysis

Saunders et al. (2007, 133) list three principal ways in which to conduct exploratory research: searching the literature, interviewing 'experts' in the subject and conducting focus group interviews. The first two techniques were employed in this research.

A sample of previous literature on CRM in a B2B context was first scanned through in formulating the research problem, purpose and questions. After this, previous literature concerning CRM and KAM was studied in more detail in order to conduct the literature review and build a theoretical framework for the following preliminary data collection process; a combination of books, journal articles, newspaper articles and electronic sources was used. The sources of secondary data were accepted with reliability in mind, and the validity of the information provided by these data was inspected in terms of relevance to the scope of this research, objectivity of the researcher(s) and time of publication. At the beginning of this research, a preliminary interview was also conducted in order to gain an initial understanding of the extent to which CRM/KAM was used at AXA PPP healthcare in the process of managing key account relationships.

The inductive theory building approach and the exploratory nature of this research call for qualitative data collection techniques. Although the case study strategy may involve multiple data collection techniques, including quantitative ones (Saunders et al. 2007, 139), using only qualitative techniques was deemed sufficient in generating answers to the research questions, thus interviews and observation were chosen for this purpose.

3.3.1 Interviews

The primary method for data collection in the research was the semi-structured interview, in which the interviews were based on a list of themes and questions to be covered (Saunders et al. 2007, 312). The method was chosen as it allowed flexibility in the flow of conversation, which was seen to bring richness and depth to the obtained data; the researcher was able to probe the answers of the interviewees further and clarify complex questions, the interviewees were allowed as much freedom in their answers as possible, and discussion was lead

to previously unconsidered but nevertheless significant areas, which provided new insights to the research problem, thus enhancing the validity of the obtained data. The interview protocol (see Appendix 1) was constructed with the help of the theoretical framework, and it consisted of questions around themes such as the key elements of the KAM program, the components of the special treatment in key account acquisition and retention processes, and challenges related to those processes. The interviews were conducted face-to-face to enable the researcher to make observations, and on a one-to-one basis to allow for comparison in the analysis. Due to time restrictions, the three interviews took place on the same day (June 22nd 2010) and lasted between 1 and 1,5 hours.

In choosing the interviewees, importance was put on gaining information from appropriate people who had direct experience of the KAM program on different levels at AXA PPP healthcare. Choosing people in different roles was seen to add depth to the data. The researcher's past employment at the organisation facilitated the building of trusting relationships with the interviewees, and ensured credibility on the researcher's part. This resulted in the interviewees' high level of cooperation and willingness to share information beyond the expectations of the researcher, thus enhancing the quality of the data.

Each of the interviewees was asked to describe their role at AXA PPP healthcare. The first interviewee, Marketing Support Manager, represents the support services behind the KAM unit:

> I'm the Marketing Support Manager and we're [the team] split into two. One side of our role and responsibilities is tender fulfillment, that is any businesses out there, e.g. British Airways, British Telecom, Virgin, whoever are putting healthcare requirements out to tender. When we get the request in we breakdown and allocate who's going to fulfill them and make sure that all the answers are completed and delivered back to the company in whatever format required. The other side of what we do is the internal communications. So any messages relevant for distribution and sales guys to get out there and help them to sell our propositions to brokers and to direct companies, and that involves working with internal communications team with a PR aspect, making sure that

all ties up and ties in with the messaging we're delivering externally via the retention and acquisition teams. We've also got what's called the Sales Toolkit, and it's basically a knowledge library of sales aids and information that sales guys can use to sell our propositions. (Marketing Support Manager)

The second interviewee, Key Client Director, represents the operational KAM level:

I have a portfolio of 9 clients, but they're all our largest clients that we have on our portfolio. So they're blue chip companies like BT, McDonald's, some of the banks in London etc. My sole function is to look after those clients, get as many products and services as we can across the whole portfolio, so that it makes it very difficult for a client to leave us basically. So I look after whatever their issues might be, whatever their requirements might be, and I would account manage whether it's occupational health, employee assistance programs or pure private medical insurance. (Key Client Director)

The third interviewee, Strategy and Proposition Manager, represents the corporate KAM level:

My current role is Strategy and Proposition Manager. It's a new role created in January [2010] and it has four key components to it; one is the strategic planning process for marketing and distribution function, and that's really ensuring that the organizational direction and strategy is interpreted in the lines with what the sales force are physically doing, and equally that the distribution team and marketing plans and campaigns are all aligned as well, so they're all working for the same goal. The other element is around proposition development which is quite simply looking at propositions we have in various different market segments and making sure that they're fit for purpose in terms of client needs, that operational efficiencies can be realized internally and also for any distribution partners or clients that we have. We then have a piece called products management, products development, which is really just looking at the existing products as opposed to any proposition development, thus making sure that those products are performing against the plans that we have in place, and if not understanding why not; making sure that there's development plans ahead of the competition. The final piece is called marketing intelligence which is basically a research program. That's across four key areas, one is the market, the other is the competition, third is the distribution tools and final one is our customers both at corporate entity level and also at an end user level in terms of satisfaction. (Strategy and Proposition Manager)

It was agreed with the interviewees that their job titles would be used in the text. This is also seen as more meaningful for the reader of this thesis.

3.3.2 Qualitative data analysis

All three interviews were audio-recorded and transcribed, i.e. reproduced in a written form word by word (Saunders et al. 2007, 475). The transcriptions were executed manually, and the non-verbal communications of the participants were also taken into account to enable researcher observation. The data was condensed by first developing categories derived from the theoretical framework and themes in the interviews, after which units of data, in this case mostly paragraphs or sets of sentences were allocated to these categories. Following the instructions of Saunders et al. (2007, 480) the units of data in each interview transcription were labelled in the margin with the appropriate category code, after which they were copied into a set of related units of data with indications of the interviewee. Some units of data were allocated into more than one category, which were seen to suggest interrelationships. During this process, the initial categories were revised and some were integrated in order to increase the focus of the analysis and recognise relationships between categories. The final data analysis template showcasing the used categories can be found in Appendix 2.

3.4 Limitations

It is acknowledged that this research holds a number of limitations. Firstly, the case study strategy has no basis for scientific generalisation to a population. It rather attempts to generalise to a broader theory, i.e. the researcher engages in analytic generalisation in which developed theoretical propositions can support a theory without proving it definitively. (Yin, 1994, 36; cited in Perry, 1998). Secondly, in terms of generalisation to the UK PMI industry the case study would have benefited from having multiple cases as opposed to a single case, as well as from using multiple techniques for collecting primary data from a

larger number of informants. Finally, because of time restrictions the interviews were conducted on the same day, which prevented the researcher from performing any substantial analytical processes in between the interviews, although the 2nd and 3rd interviews did incorporate some topics that had emerged from the previous interview(s).

4 FINDINGS

In this chapter the data gained from the three interviews conducted at AXA PPP healthcare will be presented by first discussing the overall key account management program at the organisation, then focusing on the acquisition of key accounts, and finally on retaining those key accounts.

4.1 Key Account Management at AXA PPP healthcare

In order to be able to answer the two research questions of this study, it is important to first understand the key elements of the KAM program at AXA PPP healthcare, as it is these that support the organisation's key account acquisition and retention processes. This section will explain how KAM is viewed as a strategy at AXA PPP, how it is managed, how it is used to provide an overall business solution to the accounts, who is involved in key account relationships, how the success of the KAM program is evaluated, and finally how technological solutions are used to support it.

4.1.1 Strategy

As stated in theory, characteristic to companies adopting a key account management strategy, building long-term relationships with key clients is also the aim at AXA PPP healthcare, a fact strongly agreed by all three interviewees. Consequently, building trust was seen as a prerequisite of longevity, better retention and therefore better profits; indeed the brand image of being 'the

provider of trust' has been a significant factor in the success of AXA PPP healthcare:

> I think the brand that we have been building, i.e. the provider of trust, has always been kind of a tagline that we wanted to get out there, and gradually but surely we are achieving that – we are now a provider of trust – and we do what we say we are going to do and we have the clout in our market place to be able to do these things. So our name and our reputation are quite strong in the marketplace and that has got us to where we are now. (Key Client Director)

Further, the importance of adopting a customer-centric focus in corporate strategy is recognised at AXA PPP, where it is especially regarded as a driving force in surviving the recession:

> Now we need to push on to come out of this recession. We've always known that if you come out of a recession and survive you will come out stronger because not everyone will survive, so we've been aware of that. So we've put the customer – whether that's the client or the end user – at the heart of everything we do. And if we do that, and if we look at everything through the customers' eyes, we really won't go that far wrong. (Key Client Director)

In terms of developing mutually beneficial strategic relationships with key clients, the Strategy and Proposition Manager admits that the possibilities are not leveraged ideally as of yet, however the aspiration to do so seems to be strongly in place:

> I still think we're quite a way away from where we'd really want to be in terms of you have a relationship with someone like Google or Microsoft or Johnson & Johnson; how do you get a mutually beneficial relationship beyond just the relationship you have with the product you're offering, so you're referring to R&D and things like that. We don't do that as an organization very effectively at the moment. Depends on the level of contacts you get because obviously our CEO may be involved with their CEO and there may be some leverage and mutual opportunities that are exploited, but strategically in terms of business development, there are strategic partners in terms of who we will purchase our software from, for example, and the fact that you have a trading relationship or a banking relationship will mean that you do get some organizational benefits, but in terms of day to day key account management that isn't fully utilized at this moment. A very basic level would be working with them on a case study, to do a return on investment model that they're comfortable with taken to a broader market. Again it's all areas we're looking at this moment, but we're not there yet. (Strategy and Proposition Manager)

On the subject of selection criteria of key accounts there were some differences of opinion between the interviewees. On the operational KAM level, the Marketing Support Manager believes the criteria to simply relate to the size of the business, i.e. the number of employees, and mentions the account base

breakdown into three, i.e. small and medium enterprises (SME), the mid-market and large corporate. However, he also sees the number of products the account has with AXA PPP as an important factor, as well as claims data, stating that size alone does not guarantee a key account relationship:

> The size of them doesn't always mean we want them, because if their claim funds are really heavy then the profit we could make from them is rather difficult. (Marketing Support Manager)

On the other hand, besides profit potential, the Key Client Director sees other value criteria as important factors in selecting key accounts:

> It's not as simple as The Times FTSE 100. To give you an example, Royal Mail has 220,000 employees but their private medical insurance scheme is 1600 senior managers. So just because they have a huge employee base, doesn't necessarily manifest itself into being a huge client for us. But it is a huge name, so the name, the brand and the potential would make that a key account. So it tends to be along those lines. Obviously size and scope, anything over 2 million pounds, tends to be a key client, Top 100, but that can range from 2 to 50 million pounds. (Key Client Director)

However, he would not grant an SME key account status simply because it is too small, thus still highlighting the importance of monetary value as a key account criteria. Interestingly, on the corporate KAM side the Strategy and Proposition Manager takes a different approach in terms of defining the key account criteria by looking at how the organisation is segmented internally into large corporate, mid-corporate and small corporate departments. Each department has their own targets and portfolios of clients with key accounts in terms of size, value of product holdings, level of relationship, and potential product holdings. Hence, contrary to the Key Client Director, he would assign key account status to an SME, and additionally considers distribution partners as key accounts:

> It [key account definition] varies by different business channels. So we have key accounts who would be distribution partners. And the way that we develop the prioritisation of accounts within the intermediary and distributor landscape, is what level of competence do they actually have, what level of commitment do they actually have to our products and distributing the volume of our products and what competence do they have in terms of their historic track record, how much business and what their lapse rate currently is with ourselves. So we'd segment intermediaries and distributors in that way to make sure we partner with like-minded businesses. (Strategy and Proposition Manager)

However, while recognising that globally on the very top level organisation structure, AXA Group has a defined key client base with whom strategic relationships already exist or are being developed, the Strategy and Proposition Manager states that key accounts at all levels are relevant within their business context. In line with his internal segmentation view of key account criteria, the Strategy and Proposition Manager believes the criteria to be defined by mutual conversation between the director of a particular division, or the senior management of that division, and the commercial department and someone working in the strategy development area, or the decision could be made by a single key account manager from within their own portfolio of accounts. On the contrary to this, the Key Client Director perceives senior management to decide on key account selection criteria.

At AXA PPP, information on key accounts as well as competitors is actively gathered and analysed internally. The Strategy and Proposition Manager is involved in the organisation's own research program called Marketing Intelligence, which covers four key areas: the market, the competition, the distribution tools and the customers both at corporate entity level and also at the end user level in terms of satisfaction. End user satisfaction is monitored through a Customer Comment Program, in which questionnaires on the level of service are sent to those members who have made a claim, and to keep track of all the relationship building activities taken with a certain corporate client, a Portfolio Planner system is used. This will be introduced in more detail in the section on Technology.

Useful information on competitors and their relationships with their clients is also obtained from intermediaries, who may tell if they have a client who is unhappy with their PMI provider, and is therefore likely to want to move. Hence, building lasting relationships with intermediaries is also extremely important,

especially in terms of new business acquisition, which will be discussed further at a later stage in this study.

Gathering and analysing information on the market, competition, distribution tools and customers supports AXA PPP healthcare's intentions of creating a more strategic approach to selling:

> Part of the strategic prioritisation that we're going through we'll create a framework by which we target things for the right reasons: as opposed to 'we've got all these products and we want to sell all of them', we need to look at it from a perspective of the market, the need and the opportunity, the commercial reality for us as an organisation, the various distribution channels that we have and the cost of those distribution channels. Then we can disseminate that information into where and what we try to distribute, via whom and via what mechanisms. This would reduce the volume and the complexity. And when you couple that with the proposition, or invitation, it becomes a better fit. (Strategy and Proposition Manager)

4.1.2 Management

The account management structure at AXA PPP healthcare sits under the umbrella term of Distribution, which includes sales and marketing, and the whole range of sales, i.e. individual, SME, mid-market and large corporate. It is further layered into the levels of internal coordinators, internal account managers, account managers, account consultants and finally the level of key client director. According to the Key Client Director, the KAM function is constantly evolving. In his opinion the changes have been relatively major and have occurred every two years during the 15 years that he has been working at AXA PPP healthcare, with the latest change involving a merger:

> Now our latest incarnation is we have merged AXA ICAS, which is a separate business; occupational health and employee assistance programs. They've emerged under the distribution banner, and we now have multifunction teams. (Key Client Director)

The Strategy and Proposition Manager also sees the KAM function to be an evolving one, but takes on a broader industry view:

> It seems to be cyclical in the industry generally. So you have various different distribution levels, and you'll have centralization and de-centralization, and you have different fads and trends around relationship management for example. The fundamentals of key account management are probably unchanged but I'd still say most businesses operate on a fairly local level rather than genuinely taking all the bits on the inside and using that through the whole business, rather than just for that one relationship. (Strategy and Proposition Manager)

Furthermore, the Strategy and Proposition manager talks about aligning the service function with the client base, so that bespoke units are created in order to support the service of key accounts. This is also reflected in how information is shared internally:

> So rather than having to communicate to everyone we have our organisation segmented behind the scenes to, say, large corporate key accounts who have maybe multiple product holdings will be managed through one customer service team, therefore if you are doing something different, or doing something strategically different with that pool of clients, you would automatically communicate. So there is that joined-up approach, people understand what's going on. It's about segmentation of messaging – you don't want to communicate everything to everyone because hardly everyone will ever understand everything that's going on. It's about aligning it in the same way that we talk about tailored, personalised relevant information management externally – we use exactly the same principles internally to make sure that you keep the focus and the costs on the areas that deliver and in turn actually require it. (Strategy and Proposition Manager)

The Key Client Director and the Marketing Support Manager both state that having multifunction teams also comes with the problem of coordinating the team members:

> It can be quite difficult to coordinate them, obviously we try to keep relationships with customer service, commercial etc. so they do work close with each other, but it doesn't reduce the fact that there are a lot of holes in the wheels. (Marketing Support Manager)

The Key Client Director further recognises the issue of crossing over functions when merging AXA ICAS which operates as a wholly-own subsidiary in its own right with its own reporting lines, profit and loss lines and management structure:

> Our latest 'line', if you like, is to go down the integrated route and try and offer something different, but we're not quite there yet, because our systems aren't yet set up behind the scenes to be able to do that. So we can appear joined-up but the reality is that we're not particularly joined-up at the moment. But that is an aspiration of ours to become joined-up and to be able to offer that menu of products and services to our larger clients. (Key Client Director)

All three interviewees play their own parts in internal process coordination on differing levels. While the Marketing Support Manager is involved in making sure that internal communications are matched with what is communicated externally, the Strategy and Proposition Manager ensures that the organisational direction and strategy is interpreted in marketing plans, campaigns and by the sales force. The Key Client Director, however, sees the importance of coordinating interfaces and resources internally as his role is directly impacted by any deficiencies. He therefore engages in relationship building on a more individual level in order to best serve his portfolio of 9 clients, who represent the largest accounts on the company portfolio:

> I have an entire virtual team, so I have coordinators who look after each account internally for me, and then I have a whole infrastructure of commercial, marketing, customer service etc. I have to have relationships with every department, because at some point I'm going to ask them to do something for me, so I have to know who is influential, who can do what, what are the capabilities and responsibilities of everybody in the company. 90% of it is relationships. The account management function is very much…you direct, you pull the strings but you are totally reliant on other people doing those things, because if they don't do them it won't be them going in front of the clients to say they didn't do it – I have to go in front of the clients and say 'I'm sorry, we didn't do it and this is the reason why'. So you have to foster really good relationships internally as well as externally, because they all have to deliver. (Key Client Director)

Besides making sure that internal process coordination is in place within AXA PPP healthcare, the aspiration is also there to increase cooperation within the entire AXA Group in order to leverage relationships that another part, e.g. AXA Life, may have with its clients. At the time of the interviews, there was no common platform for sharing relationship information, but all three interviewees saw it as something to develop in the future.

4.1.3 Solution

As mentioned earlier in the Management section, AXA PPP healthcare looks to offer its major clients a menu of products and services by working more closely with other parts of the AXA Group. This idea of offering the clients a holistic business solution is called Integrated healthcare:

> Besides the PMI, there's a sub-product called Back to Health, which is a product where we only pay for things that are directly related to their [the employees] ability to work. So it means reduced costs. And then we've got the non-PMI aspect of things, so we've got Occupational Health, Employee Assistance programs, Sickness Absence Management programs; all of those are managed by AXA ICAS. We've got travel insurance, dental insurance, which is managed by Denplan, so we do quite a wide range of products. And what we're trying to do, because of the way the market seems to be, is to make these far more joined up, we call it integrated healthcare, so it's a proper health and well-being proposition that we're looking to deliver to the market so it looks like they're only dealing with one person. Effectively they've got one point of contact, they get one set of invoices, this is in an ideal world where everything is completely joined up and then we can link the products together. (Marketing Support Manager)

Additionally, AXA PPP healthcare can also offer its key accounts a range of voluntary products paid by the employee or the employers themselves, different funding vehicles or contract styles and support services. The organisation also provides its services internationally via AXA PPP International.

In order to execute the idea of Integrated healthcare, cooperation and information sharing is needed from all parties involved in serving a particular account, hence AXA PPP healthcare looks to create strategic development forums:

> With key clients more and more you'll find that there are kind of like strategic development forums so it may not just be about us. If you look at the principle of Integrated healthcare you may have occupational health, practitioners, opticians, dentistry, health and safety experts as well as private medical insurance providers. What you want to do is make sure all of those services support each other for that organisation's healthcare strategy, so certainly what we would look to do is create a forum, invite the various representatives engaged with the client to share the information so as we can understand the needs of that organization, to understand what their biggest issues are and supporting overcoming those issues. (Strategy and Proposition Manager)

By gaining better understanding of the client organisation's culture, current and future plans, needs and issues, AXA PPP healthcare is able to integrate that management information and shape their offering to better match the client's needs. Essentially it comes down to strategy:

> We are definitely on that journey of moving to consultative-based relationships and framing the products and services that we have into organisational issues. So the language that we use is consistent with the audience – it's actually talking about the issue and the need and then talking about the solution or range of solutions. Those solutions can be one part of it or the whole thing, but we'll be flexible in our approach – it's not one size fits all. (Strategy and Proposition Manager)

Bundling together different value adding products that directly address the key issues of a particular organisation is in fact low cost for AXA PPP healthcare to do, mostly because of the available technologies, but this approach is seen to be linked to other value added products and services that are revenue-generating further down the line, hence creating a mutually beneficial result. Also, the discussions in the above mentioned strategic forums about what is working, what is not, why and how to address those issues, create case studies and return on investment for AXA PPP healthcare in terms of integrated management information.

Key clients also add value to the organisation through new product development. The Key Client Director admits that the largest account is extremely influential in determining in what direction the organisation should invest in terms of new product development. Otherwise, client feedback is taken very seriously, and many customer service processes in particular have been enhanced and developed in cooperation with key clients. The Strategy and Proposition Manager recognises the benefits of involving key clients and distribution partners in the proposition development process:

> …you take that [proposition] out to some of the key clients, talk to them and get their feedback. Equally you would take it out to the distribution partners and get them saying yes this will work or no that won't work for these reasons, therefore you hang that proposition onto something you've got absolute confidence will sell. And because you've taken those various entities on that journey with you, you have confidence that when you deliver that to them, they'll be grateful because it's something they've contributed to and something that they want, and therefore the likelihood of success is much greater. (Strategy and Proposition Manager)

4.1.4 People

In theory, people were seen as a key success factor in CRM and KAM, particularly allocating the right people to serve the right accounts. All three interviewees agreed that AXA PPP healthcare consistently receives positive feedback about the account managers, their experience, attentiveness and presence whenever the client needs them. When asked about how account managers were assigned to a particular account, both the Marketing Support Manager and the Strategy and Proposition Manager admitted not knowing the answer and referred to the Key Client Director to know it. However, after some hesitation the Marketing Support Manager guessed it would come down to the importance of the prospect account and the experience of the account managers as well as their schedules and number of accounts on their portfolio. The Strategy and Portfolio Manager looked at the matter from a distributor perspective and concluded that it would not be done on personality as much as on a regional basis, as essentially the account managers would have to be adaptable to whomever. The Key Client Director agrees with the fact that the account managers are assigned to a particular account according to their experience, and depending on the requirements, size and scope of the client and whether the client has a broker attached. However, the demands of the clients may sometimes affect how account managers are allocated to a particular account:

> A new contact came in and said 'How do I know you're the right account manager for me?' So I told him my background and what I look after but when he said 'How many clients do you have?' and at the time I had 10, he said 'If you're going to be our account manager you should only have three'. And of course we couldn't do that so we had to put him with a slightly junior account manager who only had three major clients, of which he [the client in question] would be one. (Key Client Director)

Whenever new products or changes to existing products are introduced, AXA PPP healthcare organises vast training sessions for everyone involved in the account relationships, e.g. customer services, sales, medical, finance etc. These sessions are delivered by internal training teams. The KAM staff who directly deal with customers receive additional regular training, e.g. account managers and customer services have public relations (PR) training every six months.

4.1.5 Screening

In terms of measuring the success of KAM activities, there does not seem to be an official reporting system or a particular set of metrics to do so, judging by the differing views of the interviewees and the amount of hesitation on the matter. The Marketing Support Manager was unable to answer the question, but guessed that there must be a way in which the key account relationships are assessed. The Key Client Director saw the fulfilment of the account plan to represent success, as well as retention rates and the number of accounts holding more than one product or service, which would indicate what cross-selling opportunities have been successfully utilised. However, he believes that evaluating the relationship development process is not as robust as it could be, but speculates that this could be because the performance and profitability of AXA PPP healthcare have always been on an incline, and therefore it has not been necessary to question the success of the relationship building activities. The Strategy and Proposition Manager recognises the usage of sales volume, underwriting margin and bottom line profit as measurements of success, but

also takes into consideration a lifetime value calculation, and indeed strongly advocates the principle of value as the most important measurement:

> I'm not going to be tied by any one metric; I want to be driven by a principle of value, which will never change. It's about cost-efficiency of your acquisition, cost-efficiency of your on-boarding, efficiency of your communication strategy and your retention of clients. Those are the only things that you really need to look at. You can overlay that with how many product holdings or what depth of relationships, which is quite important and therefore how secure is that retention on an ongoing basis and how volatile is it to market relatives outside of your control. (Strategy and Proposition Manager)

4.1.6 Technology

Technology plays an integral part in supporting the KAM activities at AXA PPP healthcare by facilitating the flow of information and process management. For the sales force there is a database called Sales Toolkit which is a knowledge library containing information that the sales force can use to sell the propositions. This information can be anything from the organisation's unique selling points, history, credentials, set up of the business to what the proposition is and the value added things they can offer. The sales force also benefits from the tender tracker systems that the organisation is registered on. These are industry trackers which notify when organisations' schemes are coming up for renewal as new business, and AXA PPP healthcare is asked to tender for the business. Also, at the time of the interviews, an online marketing research capability was being developed:

> At the moment we're developing an online capability which will be able to search and survey or poll, so basically you can link it with your communication strategy, you can do various simple fact finds, data capture and use that to create a reference to what the key issues in that industry sector are at that moment in time, and therefore reuse that to shape your communication strategy and your marketing materials, and your products and services. (Strategy and Proposition Manager)

In terms of individual accounts and relationship development activities, there is a system called Portfolio Planner:

> We have an internal system called Portfolio Planner, which allows us to record everything that we do with that client. So that's all the contacts, what their likes and dislikes are, hospitality preferences, what their position and responsibility are, how long they've been a client, how big they are, what does the client have from us, what have they looked at before, what have we quoted on before. So it's a whole record of that client. And that is on our database. (Key Client Director)

However, according to the Strategy and Proposition Manager, the technology that would contain a systematic communication plan and record all the steps taken to build relationships is not right as of yet. The Key Client Director still feels that technological solutions have facilitated his everyday job, and believes that everything is moving towards an e-focus. For example, emails have allowed faster document sharing ahead of meetings and smart phones have cut down the response time as they allow messages to be acted upon when and wherever, thus increasing overall operational efficiency. Moreover, customers have begun to expect more and more that things are dealt with on an electronic basis rather than on paper. For all corporate clients, there is an extranet available:

> We are trying to get more and more companies onto the e-enabled platforms for two simple reasons: it's cost-effective, it's simple, so if they've got all their membership information in one place, they can just log on, they can look it up, they get all their benefit information etc. Plus we can add some value-added services onto it, like nutrition and fitness newsletters, and it's an easy way to continually communicate with the members, to keep them updated on our offerings. It's more and more for large corporate, and SME's have to go onto an extranet. At the moment large corporates still have the choice. (Marketing Support Manager)

On the platform there is also an online secure messaging site called Expert Response, through which members can ask questions if they do not wish to use the phone. AXA PPP healthcare uses its online capabilities efficiently for communication purposes but also to add value to the customer with a low cost, as the following story portrays:

> When there are major developments, for example fit notes, when the government changed the sick notes to fit notes, we created an entire online portal which actually educated not only the organisation but also all of the management and the employees about what a fit note was and had links to podcasts, results and government sites who gave a full spectrum of value. Nobody else did this, they

> may have issued a communication to tell people what it was but they didn't have all of that content; they didn't have the advice and guidance in terms of what happens if you have this, if you want a management referral, all the return to work interviews, you've got a document repository where you can just download the best of class, return to work interview – it's just that simple stuff that adds an awful lot of value. It doesn't cost us an enormous amount of money to do that, but it generally delivers. (Strategy and Proposition Manager)

4.1.7 Key Account Management Program Summary

The following points summarise the key findings on the KAM program at AXA PPP healthcare:

- Building long-term relationships with key accounts is the organisation's goal. Being established as a provider of trust is seen to enhance longevity, better retention and hence higher and stable profits.

- The importance of a customer-centric focus in business strategy is recognised. It is further seen as a necessity in surviving the recession.

- The aspiration is in place to develop mutually beneficial strategic relationships with key accounts. The ability to leverage the full potential of relationships with key accounts is not seen to exist as of yet.

- There does not seem to be a formal set of selection criteria of key accounts, judging by the highly differing opinions of the interviewees on the subject.

- Prospects can be assigned key account status.

- The market, competition, distribution tools and customers on both corporate entity and end user levels are monitored and researched continuously. This has allowed the organisation to introduce a more strategic approach to selling their propositions.

- The KAM function is constantly evolving and operates with multifunctional teams.

- It is recognised that there are problems in coordinating multifunctional teams, but the aspiration to become more joined up is strongly in place.

- Internal process coordination is handled on several levels, including strategic, functional and individual levels.

- There is no common platform for relationship information sharing with the rest of AXA Group, although the development of one is seen as something to look into in the future.

- A holistic solution called Integrated healthcare is offered. The goal is to understand the organisational issues of a particular client to be able to provide a bespoke service.

- Key accounts are an integral part of the new product development process.

- Key account managers are highly complimented and constant staff training is provided.

- There does not seem to be an official screening system in place for evaluating the success of the KAM activities. The measuring activities are recognised as insufficient.

- Technological solutions are integral in supporting the KAM activities, but further development needs are recognised.

4.2 Acquisition of Key Accounts

In this section the first research question will be answered: How do insurers acquire key corporate clients in the private medical insurance market in the UK? This will be done by first looking at the acquisition process itself and how it is managed, then studying the components of the special treatment that key accounts and their representatives are offered in order to attract them, and finally discussing the challenges to overcome in order to acquire key accounts.

4.2.1 Key Account Acquisition Process and its Management

In the private medical insurance industry in the UK, companies put their healthcare requirements out to tender when their schemes are coming up for renewal. Therefore, PMI providers need to get themselves included in the tender process in order to win the business over. Besides signing onto the tender tracker systems and checking with the rest of AXA Group for existing relationships elsewhere, there are a few ways in which this is done at AXA PPP healthcare. Firstly, new business can come through a broker. According to the Key Client Director approximately 85% of prospects are found via a broker, as the marketplace is intermediary-driven. Therefore, maintaining good relationships with intermediaries is extremely important in order to be asked to tender for an organisation dealing through an intermediary. For some of the biggest distributors bespoke products are done with joint-branding, if the distributor has proven to hold a certain degree of competence, capability and commitment. Secondly, the business can be direct, in which case relationships are cultivated with the prospect knowing that at some point in the future their PMI scheme will come up for renewal, and they will ask AXA PPP to tender to them. Thirdly, businesses may simply come to AXA PPP because of the name, and what the brand represents. It could also be that various decision-makers

change jobs and the client base in the industry moves around, in which case old relationships are held onto and put into use:

> A chap from MBNA moved to Bank of America and has now moved to BP recently, and along the line, because of the relationship we had at early doors, he's quite happy to carry on dealing with AXA wherever he goes, because he's a major decision-maker. So it could be that we follow personnel or it could be that we follow companies. If a company was with us 10 years ago, we would like to win it back so we try to stay in contact with that company, but similarly the company may seek to keep in contact with us. (Key Client Director)

Additionally, existing clients can be assigned key account status at a later stage, which can especially be the case when mergers and acquisitions take place:

> It's certainly more and more commonplace nowadays because of mergers and acquisitions. Lehman's went bust but the bulk of their business was bought out by Nomura so overnight that doubled Nomura. MBNA was bought out by Bank of America; Bank of America have now bought out Merrill Lynch; so when you put the three of those together there is a huge account. So mergers and acquisitions you need to be mindful all the time. (Key Client Director)

AXA PPP healthcare is also taking on a more strategic approach to finding new clients:

> One of the reasons for the restructure [of the sales and marketing department] that's happening at the moment is to get a more strategic focus within distribution. It's probably fair to say that in the past it's been very much locally driven by the sales manager. What we're trying to do now is develop a much clearer understanding of the UK market, so developing the segmentation model, understanding all the different industry sectors, understanding where our penetration is strongest, trying to understand some of the drivers in terms of organizational, legal or regulatory change, and being much more scientific in our approach to targeting. (Strategy and Proposition Manager)

As part of targeting, AXA PPP attempts to get in on particular industry group forums, and even hosts such forums for both existing and prospective clients in order to get them to engage with each other in the hope of referral business. Although the Key Client Director did not think that there is an acquisition team within the organisation in the pure sense of going out and looking for new business, the Strategy and Proposition Manager saw that in the future the information gained from existing clients will be used in finding new business, thus boosting the organisation's knowledge management capabilities:

> This is a bit of an evolution at the moment so one of the elements that I'm responsible for in terms of marketing intelligence is about how do we effectively attack into the market, competitors, distributor and the customer to create that level of insight to actually drive business strategy. So if we're engaging with all clients on a day-to-day basis, how do we bring that information into the organization and actually use that more effectively, how do we use it to develop our product and propositions? (Strategy and Proposition Manager)

Once the request to tender has come in, AXA PPP healthcare must determine whether to accept or decline the request. If the business is deemed not viable enough or too risky, the organisation may decline to quote or quote the prices at an unattractive level. However, if it is a piece of business that is wanted, it must be fulfilled. The Marketing Support Manager's team breaks the requests down and allocates who is going to fulfil them, and then makes sure that all the answers are completed and delivered back to the company in the required format. The tender entails a series of questions which reveal the PMI provider what the business's needs are:

> The tender process is pretty robust, it's a paper format or electronic format to start with, which is a questionnaire on 'Can you do everything that they've [another provider] got? What would you charge? What are your costs? What does that model look like? What is the methodology behind the costs? What is your innovation? Where are you going? What is your strategy? What do the next 5 years look like? And what can you offer us?' So we get a fairly good read to what it is they're looking for. And then it's a case of matching that up to what we have. (Key Client Director)

If the tender process is successful and the business is won over, the key account manager will discuss with the account's representatives about the details and components of the offering, which is then adjusted according to the client's wishes. In keeping with the strategic focus, the Strategy and Proposition Manager advocates engagement with the prospects before they become clients, and the discussions between the account manager and the account representatives to result in a mutual relationship development plan in order to make sure that the organisation is partnering with like-minded businesses:

> We're introducing disciplines where we'll look at the key account planning process. So for the larger organisations it's very much a discipline that we would get embedded within the business. What that looks to do is capture the organisational information before we actually engage with them, go through the basics and in the engagement identify what that organization wants to achieve, and as part of that we'd do a SWOT analysis to understand where the opportunities are, and come out of that with a mutual development plan about what both parties want to achieve. (Strategy and Proposition Manager)

He also sees that a systematic communication plan will be included in the key account planning process in the future, but recognises that the processes and structures with which to implement such a plan do not and has not existed in the past. However, they are under development and the aspiration is to have online and offline communications fully integrated, making sure that any messaging is tailored, personalized and relevant.

In the case that AXA PPP healthcare has not been successful at any one stage during the tender process, and the client is valuable enough, attention is turned into how to gain feedback from that client and how to use that feedback to build a relationship and an ongoing dialogue:

> The idea and principle behind that is to understand where you were good and where you weren't good, it requests the opportunity to have a catch up to share thoughts and share where the businesses are evolving. You can if it's agreed, implement softer communications and marketing programs, ideally you would have an element of your product or service that they actually take, in which case you've still got that relationship. What we'd then try to do is develop a plan to actually build the relationship and identify what the existing provider relationship is and work out a way in which we could either support that or get our sales involved. (Strategy and Proposition Manager)

Because AXA PPP assigns key account status to prospects, it means that the relationship development process begins at the first point of contact that is made with a prospect, meaning that developing relationships with key accounts is an integral part of the entire acquisition process. Often the business relationship sits on the shoulders of the key account manager, who develops personal relationships with the representatives of the accounts on their portfolio. These account contacts can be from a variety of roles within the client organisation:

> This can really vary, because traditionally it kind of sits within the HR function. But if you take my 9 clients, I have contacts in risk and finance, procurement, compensation benefits, HR, treasury, pure risk departments. When you get to trusts, which is a vehicle for funding private medical insurance, quite often trustee members are executive level. I can deal with finance director level, HR director level, but on a day to day basis it tends to be compensation-benefits and HR managers. (Key Client Director)

The Key Client Director himself will try to get to know the contacts first on a personal level before getting to know them on a professional level. Thus, he also recognises the importance of developing personal relationships with his contacts in order to create loyalty:

> It's probably my biggest strength – in terms of relationships. For me, it is getting to know a person on a personal level as well as on the business front, because if it's just business it can only ever be business and therefore there's no loyalty towards you, there is no relationship and you are just a person that comes in and tells them what AXA is doing. You have to build that relationship from a position of trust and build that loyalty. So first and foremost it's 'be as likeable as you can' – people make an instant decision on whether they like you or not, so if you think you haven't made a favorable impression then you have to try and turn that round; if you have made a favorable impression, you have to build on that. (Key Client Director)

To help the key account managers in their task of building long-term, mutually beneficial and sustainable relationships, frameworks and structures are created on the strategic level:

> We have a range of different financial models that we can use with our distribution partners and they will negotiate our competitive negotiations, so you have a toolkit as a relationship manager, or as an account manager on a strategic operational level. You have a toolkit of various things that you can negotiate on. As part of that fact finding and understanding the drivers of that organization, it's about what things you take out of that toolkit and what you'd use to actually spark that relationship. It's about understanding different behaviours in terms of which things you use and at what point in time. Some people are much better than others at that; it is down to the individual account manager because they're the ones having that relationship. (Strategy and Proposition Manager)

4.2.2 Key Account Acquisition and Special Treatment

In order to attract key prospects to become key accounts, AXA PPP healthcare must offer them more than just the core private medical insurance product. All three interviewees agree that the possibility to receive a holistic business solution, i.e. Integrated Healthcare, with only one point of contact is something that attracts most clients, in addition to the reputation that the organisation has in the market, and the capabilities it holds due to its age:

> We've got all the traditional things, history, tradition, brand, service quality etc. We're looking to integrate our service propositions much more effectively. There's a growing agenda of health and wellbeing for organizations and that involves integrated propositions, products and services underneath. It's actually at the moment a key area of proposition development, it's about looking at the entire customer, i.e. employee, journey from when they first start with that organization through to the day that they leave that organization, a continuation of a duty of care that that client has to the people who leave, whether it be due to ill health or retirement, whatever the reason. So we'll do things like integrated additional content, we've got a massive content because we have been established for 70 years. It could be things like psychological support, it could be straight fitness and nutrition advice, it could be early intervention services, it could be looking after people's financial abilities, because we've got AXA Life business and access to those things. All of those things interlink in terms of stress, anxiety and depression, which are quite prevalent at the moment and is one of the fundamental causes of low productivity. (Strategy and Proposition Manager)

It was also recognised that while their offering might be one of the most expensive plans in the market, the pricing strategy is more consistent and sustainable in the long run, which helps the clients in their budgeting. This is in contrast to some of the competitors who would offer lower prices to acquire the business, but later introduce a high rise in prices.

The above benefits, however, are ones that all corporate clients could expect to receive when choosing AXA PPP healthcare as their PMI provider. In theory, the strategically important accounts would receive special treatment, the components of which were introduced by Storbacka et al (1999, 73). Here the components of the special treatment that AXA PPP healthcare offers its prospective key accounts are introduced.

Strategic Account Organisation

It has already been established that all key accounts at AXA PPP healthcare have a designated account manager looking after the business relationship, a system which constantly generates the organisation with positive feedback.

Instead of an account team as such, strategically important accounts are placed with higher level account managers with a smaller number of accounts on their

portfolios. However, as mentioned previously, the Key Client Director does have a virtual team behind him helping him in his task of taking care of each account. This means that there could be a number of people dealing with a particular account's matters at the same time, but those people would still sit under the account manager of that client. Additionally, the most important accounts have their own customer service teams who directly deal with the issues of the client organisation's employees.

Account Plan

A vital part of the key account acquisition process is the account manager discussing with the client's representatives, and trying to match what AXA PPP healthcare has to offer with what the prospective client needs. According to the Strategy and Proposition Manager, these discussions are encouraged to also include a relationship development plan as well as a systematic communication plan, which at the time of the interviews were still under development. The Portfolio Planner records basic details of the client as well as all the activities that have been done with a particular client, but the Key Client Director also talks of an account plan, which includes some future planning regarding a particular client relationship:

> So we do have an account plan saying what do we do with a client, where is it going, what potential is there, how can we expand it, how can we increase the spend, how can we increase the offer, how can we improve what we are doing. We are constantly looking to improve it because if we don't, Bupa or Aviva will come and do that. (Key Client Director)

Account Executive Program

Individual level relationships are given much importance in the key account management program at AXA PPP healthcare. The account managers are given tools which allow them to spend time with their account contacts, thus facilitating the process of getting to know the account contacts on a personal level. Besides face to face account management sessions, these tools include

taking the contacts for head office visits to meet the customer service teams and sales people, taking them out to lunch, inviting them to take part in the industry forums, and in the case of extremely important accounts, the contacts can be invited to visit the offices in Paris. However, corporate hospitality seems to be the most popular tool in facilitating the individual level relationship development activities. Hospitality involves taking the account contacts out to different kinds of corporate hospitality events according to the contact's preferences, for example golf, concerts, conferences, rugby and football matches and various fairs, shows and exhibitions.

When it comes to the largest clients, the CEO of AXA PPP healthcare or the CEO of AXA UK may engage with the Chairman or the CEO of the client organisation. The Strategy and Proposition Manager sees this as something that needs to be planned in time to know exactly when and where the encounters will take place, and any inside information gained through feedback from that client should be shared and used to build the relationship further.

Access Channels

It was established that technological solutions have greatly facilitated the key account management activities at AXA PPP. Key account contacts may wish to contact their account managers at any time, and smart phones have allowed key account managers to be available for their contacts at all times, meaning that their questions get answered in a more efficient manner via email or more traditionally over the phone. However, for the employees of the customer organisations, there is the account specific extranet where they can log on whenever to find all their membership information in one place. They also receive literature, such as membership cards and handbooks that contain the membership information. For the key clients, this literature also contains the account specific phone number where a member can call if they need

treatment, and the call will go straight to an account specific customer service team.

Financial arrangements and Guarantees

When it comes to acquiring key accounts, the organisation attempts to be as flexible as possible. Therefore, they can offer a range of funding vehicles and contract styles:

> Under PMI as a large corporate they can either have flat rate PMI or they can have a trust. A trust is where we basically just administer the group, but they have a fund which treatment comes out of, and they basically manage it how they want to manage it, so that they have the benefits within their scheme that they want to have. Flat rate is more "this is your scheme and that's that". A trust is far more flexible. (Marketing Support Manager)

Additionally, if the claims come in under a certain level, then AXA PPP healthcare will share some of that profit back with the client. Guarantees can also be incorporated into the service contracts:

> There are pricing guarantees, there's administration margin guarantees, there's a service level agreement that we would put in place which offer guarantees of service levels of customer service, but occasionally you get asked to put financial penalties against those. I don't like to do those but there are clients who insist on financial penalties if we mess up. There's quality performance: it might work two ways, in other words a potential penalty for poor performance but a financial incentive for excellent performance, and we have a few of those in place with certain clients and they work quite well – it incentivizes both ways. (Key Client Director)

4.2.3 Key Account Acquisition Challenges

In acquiring key accounts, challenges may occur in all aspects of KAM. On the acquisition process side, if a client has a relationship elsewhere in the AXA Group, it is not always a purely positive situation, but also has a downside. If that client is one that AXA PPP healthcare does not wish to tender for, it could

cause issues for the part of AXA Group that already has a relationship with that client. The tender process itself is also under development:

> We're completely reviewing how we tender, because at the moment it's quite a long and hard process, so how can we simplify that, how can we set up almost like a library of generic answers that we can plug and play if you like. So we don't have to recreate a tender from new every single time we do it, which is what we're doing quite a lot of at the moment. It does come down to time, money, whether we feel we have the expertise in our teams to do it or whether it's better for us to get an outside company to do it. (Marketing Support Manager)

On the management side, the difficulty of coordinating different functional departments was already discussed. Additionally, the Strategy and Proposition Manager recognises the difficulty of establishing mutually beneficial relationships at the point of acquisition, as this is usually something that would develop over time:

> I think with new clients it's actually much harder to establish that genuine mutuality. You wouldn't necessarily start by saying "this is how we operate" because that has to come through trust and delivery. So it's not an empty promise, it's a continuous journey that you take, through time you demonstrate interaction. (Strategy and Proposition Manager)

Besides the obvious challenge that the key account managers face when trying to establish personal relationships with their contacts, they may also have to get innovative when some clients are not allowed to accept hospitality, which is something that the account managers value hugely as a relationship development tool. Additionally, the service level agreements and other guarantees must be set to a level that is achievable, but at the same time high enough to attract the prospects. However, price is seen as the biggest challenge to overcome when acquiring key accounts. As pricing is done more or less on assumptions, and if correct information from a client's previous scheme has not been obtained, incorrect pricing is a risk which could result in losses or low profits. At the same time the competitors are cutting down their prices in a bid to win over market share:

> Price is our biggest challenge – there are some ridiculous prices out there at the moment. With companies being challenged to be as efficient as they can, sometimes the cost saving on the table is just too much to ignore and they may well go with one of those cheaper options for a year or two or maybe even three, knowing they are going to leave them in two or three years time, but they'll take

the money and run right now – that's not a game we're interested in playing. (Key Client Director)

4.2.4 Key Account Acquisition Summary

The following key findings summarise the way in which key accounts are acquired AXA PPP healthcare:

- Key account prospects are found primarily through intermediaries. Other sources include tender tracker systems, the rest of AXA Group, direct engagement, individual decision-makers, old relationships, and mergers and acquisitions.

- A more strategic approach to targeting is employed.

- Using managerial information gained from existing key accounts to find prospects is seen as something to develop in the future.

- Tender fulfillment requires discussions with key account representatives to match expectations with what can be offered. The account planning process needs development in order to reach mutual benefit.

- The need for a systematic communications plan with the client to be developed is recognised, but existing processes and structures are not seen to support this.

- Even if the acquisition process is not successful, relationship building activities are still put in place with future acquisition in mind.

- Personal relationships between the account manager and the account contacts are given high importance; business relationships alone are not seen to create loyalty.

- Key account prospects are seen to be attracted to the principle of Integrated healthcare, the organisation's reputation, capabilities and stable pricing.

- Special treatment received by and offered to key account prospects includes the following:

  - higher level account managers according to their strategic importance

  - specific customer service team and phone number

  - bespoke account plan, which nevertheless needs more refinement

  - hospitality and events

  - executive level engagement

  - access to membership information at all times through various touch points

  - funding vehicles and guarantees to be negotiated into the contract.

- Pricing is seen as the biggest challenge to overcome in key account acquisition. Others include causing problems to key account relationships elsewhere within AXA Group, complex tender process, difficulty in establishing mutually beneficial relationships at the point of acquisition, account contacts not allowed to accept hospitality, and setting the SLA and other guarantees at suitable levels.

4.3 Retention of Key Accounts

This section deals with the second research question: How do insurers retain key accounts in the private medical insurance market in the UK? Once key accounts have been successfully acquired, attention must be turned to cultivating those relationships in order to build trust and loyalty, thus ensuring retention and ultimately long-term profits. The ongoing retention process and how it is managed is first explained, after which the components of special treatment will be discussed from a retention point of view. Finally, the challenges involved in retaining key accounts will be introduced.

4.3.1 Key Account Retention Process and its Management

During the acquisition process the offer is refined and promises are made. To ensure retention, AXA PPP healthcare must first of all deliver what was promised in order to build trust. However, continuously improving the service is also seen as pivotal to retaining key accounts. In addition to constantly researching what is happening in the clients' marketplace, the direct opinions of key accounts and brokers are sought:

> We are constantly asking what we can do to improve what we've already got. What processes could improve? What could be a little bit slicker? How can we take work away from you? How can we make life easier for you? How can we be more cost-effective for you? (Key Client Director)

More specifically, management information gained directly from individual key accounts allows AXA PPP healthcare to focus problem solving activities on the exact issues that an individual account is experiencing, thus reinforcing retention:

> Part of our account management function is management information. So we collate a lot of management information, client specific but also portfolio specific. So if I went to a client and was talking about their psychiatric spend, but it was four times higher than our average, there would be an issue. We would have to identify why there was an issue, how it was manifesting itself, how it was coming out, what type of psychiatric issues it might be, whether that's the employee base or the dependent base; if it's the employee base-why? Is it because of the redundancy program or is there too much relative stress within the organization, have they been put under performance pressure, these kind of things. So between us we can work out what is causing these incidents and high spend and what we can do about it to get it back to where it should be. (Key Client Director)

Gaining this information lies mostly on the shoulders of the key account managers who hold personal relationships with their contacts, and the amount of information that the contacts are willing to share depends on the strength of the relationship itself:

> If the relationship is very good then they'll [key account contacts] give me loads and loads of information; if it's not very good they won't give me anything – it becomes like trying to get blood out of a stone. The more information I get about them: what they're doing, what changes they're making, the direction they're going, redundancy programs, acquisition programs – all of which can help. (Key Client Director)

The opinions of the end users, i.e. the key account's employee base, are also needed in order to improve the service. Therefore, a customer satisfaction survey, Customer Comment Program, has been created to gain feedback from those who have used AXA PPP healthcare's services by making a claim. This helps in recognising and correcting any possible service issues in order to keep the employee base satisfied. Furthermore, when the employee base is satisfied, the key account contacts are not receiving complaints and everything is running smoothly, therefore making it possible for the key account manager to make their contacts' jobs easier.

It is, however, recognised at AXA PPP healthcare that sometimes things do go wrong, but if that happens, the issues are acted upon and put right as quickly as possible. A customer relationship team would deal with any complaints from the members and assess what could be done, but finding out what the issues are before a lapse occurs also depends on the strength of the relationship:

> It [the relationship] can deteriorate in several different ways: it can deteriorate by us getting the invoicing wrong, on more than one occasion: i.e. you correct it once and you still get it wrong – that can cause frustration with a client. It can deteriorate by you not doing what you say you are going to do. It can deteriorate by a new person coming in who is not particularly pro-AXA – he might be pro-BUPA or pro-whoever else who he might have known where he came from. It can deteriorate by a silly little thing like our contact's wife or partner had a claim that was rejected. It can deteriorate by someone in customer service being a little bit discourteous on the telephone. It can deteriorate by a number of things. If you have a good relationship, you can have an open discussion about why and what has gone wrong; if you haven't, and they just keep it to themselves, you're in trouble because when it comes to renewal that is stacked up against you. So regardless of your price there are other issues there. If your relationship is not good enough you won't know what those issues are. (Key Account Director)

Even with the Key Account Director's impressive retention track record, key account relationships can come to an end. The recession has had its impact on retention rates, but lapses can also occur for a number of reasons:

> It tends to be around the service that they're receiving, the relationship that they're receiving, the price. I suppose it could come down to the benefits of the scheme, there might be a better product out there in the market that we can't match, or haven't got an option to match with, which may be something that we would then look to develop on the NPD process, try to keep up with the market and go beyond what the market is offering. (Marketing Support Manager)

When a lapse occurs, a feedback session is set up with the client to find out the reasons behind their decision to leave, so that information can later be used to win the client back:

> If you have a lapse, you do a lapse interview or survey or some mechanism to capture the reasons why. You then do some remedial action and you then put a contact strategy in place for that client; if it's about service and they were really disappointed, quickly the communication strategy talks to them about service delivery, then half way through the year try to engage or invite them to some kind of event or function to build that relationship, or an account manager to actually go out and talk to them. So the principle is because we're dealing with 12-month contracts, if you lose a client you talk to them 12 months later or 10 months later when they're looking to review the market. So the idea is rather than let those relationships go cold is to actually keep a level of engagement; go back to the principle of tailored, personalised and relevant communications that's based on what the issue was and then feeding some of the additional market insight to demonstrate expertise. (Strategy and Proposition Manager)

As the Marketing Support Manager states, in the cycle of retention and new business, if a group is lost somewhere, hopefully one would be gained somewhere else to replace it. Nevertheless, although key accounts have not

been lost very often, and the overall corporate client retention rate has been high (Marketing Support Manager's estimate of 97%), the organisation has made preparations for coping with the consequences of potential losses, especially in anticipation of the recession:

> If you lost the largest account, that's a one-off because it's the largest group in Europe and it's huge, by a mile. So if you lost the largest account, the consequences of that would be we would have resourcing issues – we would be over-resourced in certain areas. If you lost just a normal large group/client then that is sustainable. But there is a number where it is unsustainable and we've had to do that methodology, that model on the basis that during the recession we anticipated losing a certain amount of groups, a certain amount of value and what was the point where that became unsustainable and what was the point where it was inconsequential. So all of that methodology has been carried out – I don't think we lost anything like the numbers we thought we were going to lose, but we certainly lost more groups in the last two years than we've ever lost. So the consequences are: if it continues and you just keep losing groups, we are resourced to be able to cope with a certain amount of business; if you lost 30% of that business, firstly is it profitable business you're losing? Secondly, do you need the amount of people servicing those accounts that you had before? Probably not. (Key Account Director)

4.3.2 Key Account Retention and Special Treatment

As has been discussed before, successful retention of key accounts depends significantly on the strength of the relationships on both corporate and personal levels, which is why many of the retention activities concentrate on enhancing those relationships on an ongoing basis. Furthermore, as successful retention of key accounts also means demonstrating expertise and fulfilling what was promised during the acquisition process, the components of special treatment are largely the same as the ones used to attract new key accounts. Interestingly, the insurance benefit levels of key accounts do not increase in line with the length of the relationship, i.e. there is no formal loyalty scheme. Instead, AXA PPP healthcare looks to offer key accounts added value by introducing additional bespoke products that target the exact issues that the client is facing, giving regular communications and updates on the service,

having the account management structure and producing satisfaction reviews to give evidence on the level of service delivery.

Strategic Account Organisation

The higher level account managers taking care of key accounts have been entrusted with the power to make business decisions on behalf of AXA PPP healthcare, whereas junior account managers would have to confer with their line managers before being able to solve an issue. This means that for key clients processes are smoother and issues are dealt with faster. Furthermore, having a dedicated key account manager whose sole function is to look after his accounts' best interests means that the account contacts themselves can enjoy peace of mind and be able to do their jobs without complaints and issues.

Account Plan

As the business relationship develops so does the account plan, which is in accordance with constantly improving the service. Regular communications are aimed at building thorough understanding of the key account organisation's business, which helps in identifying current and potential issues that the account might be facing. Thus, the account plan is constantly updated accordingly. Key accounts have regular quarterly meetings in their account plan, but on top of those there can be a number of additional ad hoc meetings targeted at specific client problems, for example:

> If cancer was a topic of a particular client, you would facilitate a cancer expert coming in and talking to them about the new cancer drug regimes that are available, what the cost implications are to them, where their competitors are pitching their provision of cancer, where they are out of kilter and where they are part of. (Key Client Director)

Account Executive Program

In order to retain key clients, key account managers do everything they can to enhance and strengthen the personal relationships that they hold with their contacts. Although the way this is done depends on the account manager, hospitality is the most popular tool used for facilitating the process. Its effectiveness only enhances in time as the preferences of the key account contacts are better learnt and recorded in the Marketing Activity Database, thus making it possible for the account managers to take their contacts to events that they will enjoy, and also avoid taking them to events that they are not interested in. Also, taking part in and organising industry specific forums is not used solely for acquisition purposes, but also for retention, as existing clients are invited to come along and interact with their peers, thus opening up possibilities for them to develop their businesses. Furthermore, at the time of the interviews AXA PPP healthcare was looking into formalising an Executive Sponsorship program where the top 100 clients would have an executive aligned to them to make sure that relationships are fostered also on the board level.

Access Channels

The access channels that are available for the scheme members at the beginning of the business relationships remain open also in the future. The benefit of the extranet is that additional content may be added at any point in time, and it reaches the entire end user population quickly. Especially as AXA PPP healthcare gains a better understanding of the client's business, this content can be made more and more specific to cover the topics that interest a particular client's employee base.

Financial Arrangements and Guarantees

Each time a client's contract comes up for renewal, any financial arrangements and guarantees can be negotiated on to find the solutions that best suit both

parties. From the retention point of view pricing and choosing a suitable contract style will be easier as the account's claims data will be available. AXA PPP healthcare also focuses on producing cost-savings for their clients as a means to retain them:

> Everything we do is focused around cost-savings. So our purchasing power, because of our size and scope, delivers cost-savings. Our strategies deliver cost-savings. Everything we do has a quality in mind but also cost-savings – we don't charge for additional things that we offer the client. If an intermediary goes and talks to a client about doing something for them, they charge them. I could be called in to see a client this afternoon for three hours and have a discussion about health and wellbeing and that's part of our service – there's not a consultancy fee. But we can offer everything and more that a consultant can do but they get that for free so it's all part of the service. (Key Client Director)

4.3.3 Key Account Retention Challenges

As in key account acquisition, competition, pricing and inter-functional issues continue to be prevailing difficulties in key client retention. However, in retaining key accounts difficulties can also stem from other external and internal factors as well as directly from the key accounts.

The economic environment has its impact on AXA PPP healthcare's operations via the client base. During the economic crisis in the UK companies were facing bankruptcy, personnel cuts and drastic cost savings, meaning that a higher number of AXA PPP healthcare's clients were lapsing, reducing the amount of people who are covered by PMI or reducing their benefit levels. However, for retention purposes adjustments can be made if a client can no longer afford the scheme:

> We'll offer them ways to down trade their cover, review their products to see if there's something that means that for a couple of years they'd go to a lower level of benefits for a cheaper price, but hopefully the company picks up and their performance picks up. We can keep hold of the business for now, and hope to pick it up when the company is better. (Marketing Support Manager)

The healthcare industry can also create pressure for the PMI provider to come up with cost saving propositions:

> Because UK private hospitals are coming under capital control and therefore the pressure on the price, even if you have a hospital network in place, is just escalating. New advances in cancer treatment in particular are pushing medical inflation at a rate which is unsustainable; you've got a client base which is looking to save money because of the economic crisis, who have got this rush development that's created the perfect storm. What we need is to plan a different way of doing things. One way in which we can do that is work more closely with hospital providers and select the right partner based on a range of criteria including quality, not just cost. So we're starting to develop those propositions because we can control the customer journey. There's an issue of bad choice for the end consumer but it's the organisation's decision to save money when they purchase private medical insurance. (Strategy and Proposition Manager)

By deciding the consultancy that the individual member goes to see, AXA PPP healthcare is able to control the consultancy fees, thus making sure that there are no surprise payments involved and in the end managing the client's money better without compromising on the quality of care that the individual receives. However, this could be seen as over controlling and the proposition lacking flexibility, which is why client engagement must be ensured:

> But bringing in new models like that you have to engage with the clients, give them some kind of incentive so you do that through premium discount, you can potentially do that through if you rebate that there's any savings to the claims fund. So we have mechanisms like that within the way that we price products. (Strategy and Proposition Manager)

While intermediaries are the largest source of new business for the company, they are an issue when it comes to retaining key accounts. Because an intermediary only produces cost savings to the client at the point of contract renewal, their services are not needed when the client chooses to remain with the same PMI provider. Therefore, the key account retention efforts of the PMI provider act against the intermediary's business, which causes a paradox when relationships must be fostered with the intermediary on the key account acquisition side. The issue was recognised by the Key Client Director:

> It's a fact that intermediaries don't earn money from other services or products that we provide, so they concentrate on just the private medical insurance, and we're trying to broaden that proposal, and that's a big challenge because if we broaden that proposal and we do get in other products and services a) it's harder for the client to leave us and b) it weakens the intermediary position because if they're going to stay with us, why would they need an intermediary, because the principal job of an intermediary is to get the best price year-on-year at these contract renewals, so they can't really add value. So although we try to work with the intermediary, our actual strategy probably flies in their face – so that's a bit of a challenge. (Key Client Director)

The key accounts themselves are not necessarily the easiest clients to work with, as knowledge of their status can cause higher expectations and demands, an example of which was demonstrated in section 4.1.4. Their expectations can also be reflected negatively on customer services, which can cause problems for the provider internally:

> I know that certain investment banks in the City phone up our helpline and are extremely rude because time is money to them; their net worth value is high and they expect things to be done in an instant or yesterday. So I have to understand that culture and pass that back on to our customer services and say 'Look, don't take any of these calls personally, because they're not meant to be taken personally, but this is what they're up against and this is what their expectations are'. If I don't pass that expectation back to customer services and they start getting these abusive calls (as they are in some cases), they'll [customer services] start complaining that they don't want to deal with them. We have to mix and match everything and make sure everyone is in the loop as to what's going on and how it's going to work. (Key Client Director)

The demands of key accounts may also cause issues on a more strategic level. The Strategy and Proposition Manager recognises that extensive negotiations are needed with the key account to understand the reasons behind what they are demanding, the value that the demand would represent, whether it can be realised and at what cost, and whether it would be a mutually beneficial solution. In the event that their demands are one-sided, a compromise is not reached and what they want cannot be realised without making a loss, the client may walk away if another provider is prepared to meet those demands. The issue becomes even more mutually problematic when the relationship is a strategic one:

> You rely on the strength of the relationship you have with that business, wholeheartedly really. Typically we will bend over backwards to accommodate our clients but it does get to a point where you have a commercial decision to make, which is this will lose us money, are we prepared to do that for whatever reason. Or, we're not prepared to do that, in which case there will be a consequence: there's either somebody stamping their feet who actually doesn't want to leave because the consequence of moving that organization will be quite significant as well, being in a stable relationship, knowing exactly what they require, great account management, established processes etc. – It's very difficult to actually break that. But people do. But it is a tough nut to crack, because that's where things may well get escalated at CEO level and CEO and CEO would have a conversation and you may ultimately just in terms of 'we bank with Client X, we really want to continue that, but if you were to walk away we might have to reconsider.' That's the type of leavers that we get, and that's the danger – the more strategic the relationship the more integrated you become. (Strategy and Proposition Manager)

However, while AXA PPP has systems within the business that analyse what an optimum client portfolio profile is in terms of shareholder returns and risk, the Strategy and Proposition Manager does admit that there is a significant risk in dealing in certain markets like large corporate, which can easily cause a company to become vulnerable and overly dependent on a small number of clients. Still, he does not believe that AXA PPP would ever be in this position and holds confidence in its balanced portfolio.

4.3.4 Key Account Retention Summary

The following key findings summarise the way in which key accounts are retained at AXA PPP healthcare:

- Besides delivering what was promised during the acquisition process on an ongoing basis, constant offering improvement is necessary in order to retain key accounts. Improvement stems from key account engagement.

- Management information gained from key accounts allows targeted problem solving and product portfolio expansion.

- The amount of management information gained from key accounts depends on the strength of personal relationships between key account managers and their contacts.

- Finding out the reasons behind key account dissatisfaction depends on the strength of the relationship on corporate and personal levels.

- End user satisfaction facilitates key account managers' jobs.

- The results of a lapse interview are used to win the account back in the future.

- Losing the largest account would be sustainable, but there would be cut backs in personnel.

- Successful key account retention requires relationships on both corporate and personal levels; hence retention activities are aimed at enhancing those relationships.

- There is no formal loyalty scheme, instead added value is created.

- Components of special treatment used to retain key accounts are largely the same as the ones used to attract key accounts, with a few additions:

  o Faster problem solving and smoother processes

  o Ad hoc meetings with key account managers whenever necessary

  o Industry forums offer chances for business development

  o Executive sponsorship program for top 100 accounts under development

  o Focus on cost savings for the key account

- Pricing, competition and inter-functional coordination remain challenges in retaining key accounts. Others include:

  o The economy affecting the client base

  o Industry pressure for new propositions

  o Demonstrating the benefits of industry-driven propositions to the clients

  o Intermediary paradox: key account retention strategy works against the intermediary, but they are needed for key account acquisition.

  o High demands of key accounts, which can cause internal issues

- The risks involved in dealing with large accounts and strategic relationships are recognised.

5 CONCLUSIONS

This thesis offers empirical evidence regarding a UK PMI provider's B2B key account management strategy. The research aim was to understand how key accounts are acquired and retained in the aforementioned industry. Of particular interest was to find out whether the theories found in extant literature on CRM and KAM are applied in practice, thus a theoretical framework of key account acquisition and retention was derived from extant literature, and consequently used in the interview design. For the most part, the empirical findings of this study seemed to support the existing theory on CRM and KAM strategies, either as already implemented activities or as aspirations. However, some findings provoke and open possibilities for further studies in the future.

5.1 Managerial Implications

The significance of this thesis is mainly managerial, as it offers a more detailed and practical description of the processes and structures involved in the acquisition and retention of key accounts, and especially on the components of special treatment that is implied by KAM. However, some of the findings deserve particular attention. Firstly, the findings of this study imply that KAM structures and operations should be organised in a manner that supports the key account managers in building personal relationships with their contacts, which were seen as pivotal in both the acquisition and retention processes. Successful retention in particular was dependent on strong personal relationships through which customer information/knowledge was gained in order to ensure constant offering improvement and prevent the loss of an account. The importance of quality support services could be seen in the availability and execution of the components of special treatment. Secondly, although much effort is put into keeping the key account contacts satisfied, end

user satisfaction should not be forgotten, as the two were found to be interlinked. This is especially true in the PMI industry where PMI is often an employee benefit offered by the key account to its employees, and as such the actions of the PMI provider directly affect the efficiency and satisfaction of the key account's employee base. Thus, just as key account contacts, the satisfaction and opinions of end users should be monitored and the results included in the development of the key account offering. Thirdly, in the cycle of acquisition and retention, the importance of SME's and other clients besides large accounts should not be forgotten in order to keep the overall volume of business from decreasing. Hence, future potential and other value aspects should be included in the selection criteria of key accounts. Furthermore, by granting SME's key account status and helping them develop and grow in their own line of business could be seen to have a positive impact on the economy, which again could be considered to positively influence the supplier's corporate social responsibility.

5.1.1 AXA PPP healthcare

Although this study is process-orientated and has not attempted to evaluate the success of the KAM program of AXA PPP healthcare, it is nevertheless deemed necessary to discuss the aspects which were identified as issues by the interviewees and success factors by the SAMA, as part of the aim of this thesis was to see if existing theory could provide the organisation with new ideas in terms of their KAM approach.

Firstly, the organisation seems to fall short on organisational alignment as well as processes and systems for communications and knowledge management, as indicated by the difficulties in coordinating multifunctional teams, the inability to utilise mutually beneficial strategic relationships with key accounts to their full potential, a lack of relationship information sharing with the rest of AXA Group

and the need to further develop IT resources. Although the means to gather information on prospective, existing, defecting and lost key accounts as well as on the external business environment affecting those clients seem to be in place, it is the way in which to turn this information into strategic customer knowledge that needs further attention. Disparate information systems and databases which do not communicate with each other, internal segmentation of messaging and departmentalisation with limited access to databases with customer information do not support the philosophy of openness and information sharing advocated by authors of key account literature. As the organisation is dependent on the customer-specific knowledge gathered and held by key account managers, developing the ways in which to transfer their tacit knowledge (e.g. mentoring) and generate new knowledge (e.g. co-operative working methods) would diminish the risk of losing that essential tacit knowledge when the managers leave the organisation. Thus, AXA PPP could benefit from the views of Nätti et al. (2006) in developing organisational conditions and operational practices, and engaging in analytical CRM activities described by Xu and Walton (2005). This would be in order to be able to efficiently use relationship information gained from dealing with one key account in developing relationships with other key accounts, i.e. acquisition. Also, developing a common platform for sharing information with the rest of AXA Group could help eliminate the risk of one part of the group hurting the relationship that another part has with a particular client. Furthermore, problems with internal communications and multifunctional team coordination could perhaps be linked with the fact that the KAM structure is changing relatively often. Although change itself can be positive, there may be problems in change management efforts, which could cause e.g. disruptions in the flow of information and confusion over the responsibilities of teams and individuals.

Secondly, there did not seem to be formal selection criteria set on the corporate KAM level. Hence, there is a possibility that the organisation could be wasting resources on invaluable clients. Xu and Walton's (2005) analytical CRM

activities could again help here in identifying strategically important clients, and Lambert's (2010) work on CRM as a business process could also be used in segmenting the client base in order to find the key accounts eligible for special treatment.

Thirdly, although it has been acknowledged in existing theory on CRM and KAM that measuring the success of relationship building activities can be difficult as the benefits are often intangible, the KAM relationship and program metrics at AXA PPP were not seen to be robust enough, partly because of the sustained success of the organisation. Nevertheless, it would be prudent to develop metrics and measure the effect that KAM activities have on the success of the organisation, and understand the reasons why the key account program seems to be working so well. This would allow AXA PPP to develop understanding on the strengths, weaknesses, opportunities and threats (SWOT) of the KAM program, thus helping to sustain success in the future and prepare for less successful times, given the volatility of today's economy.

Regardless of the development areas discussed here, the findings suggest that the KAM program at AXA PPP healthcare does portray excellence on a number of elements. The fact that the Key Client Director talks about AXA PPP being a "provider of trust" and advocating this message to his contacts would indicate that operational KAM is somewhat working in line with what corporate KAM wishes to communicate through strategy. Also, senior management commitment appears to be ensured in the sense that the Key Client Director himself felt strongly supported and was empowered to make business decisions on behalf of the organisation, and relationships were found to exist also on executive levels. Finally, although the account planning process was seen to be in need of slight development, it was nevertheless carried out on an ongoing basis with mutual benefits in mind, and most importantly the potential to realise the benefits of a mutually profitable strategic account relationship seemed to be

in place, as most of the issues were brought up by the interviewees themselves, and the aspiration to make the necessary changes was undeniably present.

5.2 Theoretical Implications

This thesis contributes to the growing body of literature on key account management combined with organisational design and behaviour. The empirical findings of this research enhance understanding of how KAM is operationalised and used as an established way of managing relationships with an organisation's most important accounts. In particular, they close the gap found in extant literature in terms of the components of special treatment, and offer a description of the acquisition and retention processes of a UK PMI provider. With regards to the theoretical framework, the findings of this study seem to support it for the most part, but with some differences.

Firstly, personal level relationships were given more importance at AXA PPP than what theory suggests. Much effort was put into creating individual level benefits for those in the customer company who had immediate power to decide on the relationship continuation, and helping key account managers in their efforts to build personal relationships with those decision-makers. Besides Al-Husan and Brennan (2009) and Ojasalo (2001) authors seemed to overlook this aspect of KAM. However, the case of AXA PPP does provide additional empirical evidence of the KAM function operating as an intermediary in the supplier/client interface (Brady, 2004), as the key account managers were found to hold personal relationships also internally with employees on all levels of the supplier's operations. Similarly, this finding could be seen to reinforce understanding of the role of KAM as a "linking pin" in a fragmented organisation and a knowledge carrier (Nätti et al. 2006), although it would seem that this was yet to be acknowledged on the corporate KAM level at AXA PPP healthcare.

Secondly, although the acquisition and retention processes were separated in the theoretical framework and bespoke solutions were developed for individual key accounts in practice, one thing that was found to connect both processes and all clients was the fact that the retention process begins with delivering what was promised at the point of acquisition. As obvious as this finding seems to be, it was nevertheless not once mentioned in previous academic literature on KAM. This implies that simply keeping promises is far too often taken for granted, but not necessarily realised in practice, a view supported by the findings of a Finnish IT organisation, whose customers most valued the fulfillment of promises (Metsämäki, 2011, 21).

Thirdly, one of the major findings of this study was that having a customer-centric focus in business strategy was seen as a necessity in surviving the recession. This key finding suggests that because of today's economic environment, customer-centricity should no longer be regarded as merely a competitive advantage or as part of successful CRM or KAM implementation, but rather as a prerequisite for business existence, and this should be acknowledged by academics and practitioners alike.

Finally, this research partly supports the idea of relationship marketing as a 5th cornerstone of marketing besides the established Four P's; the case of AXA PPP healthcare offers additional evidence for Brady's (2004) finding, that in fact transactional and relationship marketing should be practiced simultaneously, as AXA PPP healthcare was found in some instances to initiate the disintegration of a business relationship on the grounds of profitability, and KAM efforts were indeed put into both acquiring and retaining key accounts.

5.3 Suggestions for Future Research

While recognising the limitations of this thesis, it would be beneficial to repeat this study by employing a key network view with elements of quantitative analysis in order to reach statistical generalisation. This could be done e.g. by conducting surveys with the network of hospitals and internally amongst employees including executive decision-makers. It would also be necessary to expand the study to other PMI providers and include performance-related data. Furthermore, it would be interesting to study the interactive relationship between a supplier's KAM program and a customer's key supplier management program, as well as how the intermediary paradox is managed. Also, the role of key accounts in new product development and innovation initiatives as well as the effect of industry pressure on this process deserves further attention. Finally, an interesting topic was raised by Carl-Erik Wikström from Mepco Oy in Kauppalehti (2011, 11) on how social media could be used in a B2B CRM context. This further raises curiosity as to how social media could be beneficial in acquiring and retaining key accounts, especially as the social networking site LinkedIn was mentioned in passing by the Key Client Director in relation to building up a network of professionals.

To finally bring together the discussion in this research, the following quotation is presented:

> Because there is a journey to take a prospect from a cold position to a warm position, you start off with the basic fact finds, understanding, then build the relationship. Now that may be a combination of non-personal communications in terms of the marketing campaigns that you do, in terms of reinforcement it's about the organisation which then opens the door for somebody to have a conversation, then it's down to building the rapport, demonstrating expertise, understanding the organizational issues and needs, reinforcing the expertise. Every time some information is given you should be returning key-class engagement on an ongoing basis. (Strategy and Proposition Manager)

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INTERVIEW PROTOCOL

Background	What	How	Why
	What is the criteria for a key account? (qualities) • Does key account status improve along with the age of the relationship? • Are prospects given key account status?	Who is involved in deciding the key account criteria? How are key account prospects found? Who is involved in finding them? How are key account managers assigned to a particular account?	Is the goal of acquiring key accounts relationship building or transactional relationships?
	Do they share relationship information with the entire AXA Group? • How is this information shared? • Why/why not?	How has the account management structure changed (if at all) whilst the interviewee has worked there? Who are the key account contacts – their roles in the key account organisation? Are key accounts involved in new product development?	

Customer Acquisition	What	How	Why
	Besides the insurance product, what other things can be offered to key account prospects in order to attract them? • Overall business solution? International?	How are these special treatments designed? How is it designed into their CRM/KAM? • Who is involved and at what level? (people – interfunctional, executive level...?) • How is existing CRM technology applied? ○ Are any purchased IT products used?	
	What components of special treatment? • Do key accounts have their own designated account manager? Do some key accounts have an account team? Why? (i.e. strategic account organisation) • Are the objectives/desired outcome of the relationship planned with the account? Are the activities taken towards developing a relationship with a key account recorded in e.g. a database? Is there a systematic communication plan with the key account? (i.e. Account Plan) • Are personal relationships established between the key account managers and the key account contacts? (i.e. Account Executive Programme) How? • How do key account contacts and their employees (final consumers) get access to product/service information? How can they contact AXA? (i.e. Access channels) • Financial arrangements, guarantees and open book accounting?		
	What are the challenges of acquisition? • Do clients tend to demand key account status/special treatment? • Do they know of their status?		

Customer Retention	What	How	Why

	What kinds of special treatment tools do they have to retain the key account once the relationship has evolved (besides the ones used also for attracting the accounts)?
	
	 • How are personal relationships between key account managers and key account contacts reinforced?
	
	 • How are the changing needs and wants, as well as changes in the marketplaces (internal and external), of existing key accounts evaluated?
	     ○ periodically/ continuously?
	     ○ By who: account manager? Sales support team?
	
	 What are the challenges in retaining key accounts?
		How are these components of special treatment designed into their CRM?
		
		 • Who is involved and at what level? (people-interfunctional, executive level...?)
		 • How is existing CRM technology applied?
		
		 How is the success of the relationship development activities assessed?
		
		 • Surveys?
		 • Databases?
		
		 What actions are taken once they notice a relationship is deteriorating/problems occur?
			What are the benefits of special offering to
			
			 • AXA
			 • the key account
			 • the key account contact
			
			 What are the main reasons why a key account relationship has ended? (exit interview?)
			
			 • Environmental factors e.g. competitors, economy, government (coalition's affect on possible NHS reform)?
			
			 What are the consequences of losing a key account?

DATA ANALYSIS TEMPLATE

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                                        ┌────────────────────────┐
                                        │  SCREENING (B-Sc)       │
                                        └────────────────────────┘
                                        ┌────────────────────────┐
                                        │  MANAGEMENT (B-Ma)      │
                                        └────────────────────────┘
      ┌──────────────────┐              ┌────────────────────────┐
      │  BACKGROUND      │──────────────│  PEOPLE (B-Pe)          │
      │  (B)             │              └────────────────────────┘
      └──────────────────┘              ┌────────────────────────┐
                                        │  STRATEGY (B-St)        │
                                        └────────────────────────┘
                                        ┌────────────────────────┐
                                        │  TECHNOLOGY (B-Te)      │
                                        └────────────────────────┘
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                                        ┌────────────────────────────┐
                                        │  SPECIAL TREATMENT (A-ST)   │
                                        └────────────────────────────┘
      ┌──────────────────┐              ┌────────────────────────────┐
      │  ACQUISITION (A) │──────────────│  PROCESS (A-Pr)             │
      └──────────────────┘              └────────────────────────────┘
                                        ┌────────────────────────────┐
                                        │  MANAGEMENT (A-Ma)          │
                                        └────────────────────────────┘
                                        ┌────────────────────────────┐
                                        │  CHALLENGES (A-Ch)          │
                                        └────────────────────────────┘
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                                        ┌────────────────────────────┐
                                        │  SPECIAL TREATMENT (R-ST)   │
                                        └────────────────────────────┘
      ┌──────────────────┐              ┌────────────────────────────┐
      │  RETENTION (R)   │──────────────│  PROCESS (R-Pr)             │
      └──────────────────┘              └────────────────────────────┘
                                        ┌────────────────────────────┐
                                        │  MANAGEMENT (R-Ma)          │
                                        └────────────────────────────┘
                                        ┌────────────────────────────┐
                                        │  CHALLENGES (R-Ch)          │
                                        └────────────────────────────┘
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