A Competence-Based Analysis of Key account management: Implications for a Customer-Focused Organization

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ABSTRACT

Key account management has a rich research tradition. At the same time the concept is ill defined and under analyzed. As a consequence the most basic research questions remain unanswered. Is Key account management basically a sales driven, a marketing-driven or a strategy-driven process? Should the primary focus be on the management of sales activities towards Key accounts or should Key account management focus on relationship building and value creation in order to create a competitive advantage? The authors take an innovative prospective and examine Key account management from a (strategic) competence-based point of view. They study the relationship between Key account management and Competence Leverage. The central thesis is that Key account management is more strategically oriented than sales-oriented and relationship-oriented. Finally they introduce the concept of Strategic account and Strategic account management and propose an agenda for further research in this domain.

INTRODUCTION

Known the widespread attention given over the last 10 years of both academics and practitioner’s to Relationship Marketing in business-to-business markets (Berry and Gresham 1995; Hakansson 1982; McKenna 1985; Morgan and Hunt 1994; Nevin 1995) and for Competence Based Management (Hamel and Heene 1994; Prahalad and Hamel 1990; Sanchez, Heene and Thomas 1996), one would expect to find a rich body of literature on theoretical developments and empirical research in the domain of building and leveraging customer relationships with important customers in Industrial Markets: the so called Key account management (KAM). One can however observe that while only limited academic research has been done from a relationship marketing point of view with respect to Key account management (McDonald, Millman and Rogers 1997; Pardo 1997), nearly no research has been undertaken from a competence based point of view (Wilson and Millman 1998), in spite of the importance that marketing scholars have assigned to competence based management in marketing and more specifically in industrial marketing (Day and Montgomery 1999; Hamel et al. 1994; Webster 1992).

Mainly due to the impact of globalization, the maturity of industrial markets in most developed countries, the increase of the buying power of the customers (McDonald and Rogers 1999) and the impact of the information and communication technologies, companies are faced with high levels of competition in a rapidly changing environment. In order to bring stability to their operations, to respond quickly and flexibly to accelerating change in technology, competition and customer preferences, companies have tried to
create new business organizations. These new forms of organization emphasis partnerships and strategic alliances with customers and suppliers, instead of putting the focus on market transactions, as a way to create a competitive advantage and develop the firm’s core competence (Day 1999; Webster 1992). A direct consequence of these partnerships and strategic alliances is a reduction of the supplier base (Swift 1995).

One type of seller-initiated strategic alliance, applied in situations where the structural change is due to supply base rationalization, is Key account management (Millman and Wilson 1994). Due to the increased interest in relationship marketing (Morgan et al. 1994; Nevin 1995), customer retention and customer loyalty (Reichheld 1993), and because of its ability to create entry barriers and as such to reduce (prospective) competition, marketing academics have turned their attention to study the subject of Key account management as a way to implement long-term buyer/seller relationships in business-to-business markets. Key account management from this relationship point of view occurs as the natural development of customer focus and relationship marketing (McDonald et al. 1997).

In spite of the recognition of the important link between competence and relationship marketing in industrial markets and the importance stressed by scholars on the interaction between the buyer/seller dyads, theoretical driven research in the domain of KAM in general and more specific in relationship to competence based management, is still in its early stages (McDonald et al. 1997; Millman and Wilson 1999; Pardo 1997; Pardo 1999; Weilbaker and Weeks 1997; Wilson 1998).

The main objectives of this study are to: (1) synthesize the current body of knowledge on Key account management as found, (2) analyze the relationship between KAM and Competence-Based Management, (3) suggest an agenda for further research on the relationship between KAM and Competence-Based Management.

BACKGROUND

The concept of Key account management emerged in the mid 1970’s because several environmental conditions (Platzer 1984) stimulated companies to change the way they sold their products to a limited base of large customers. Those conditions were: Increased concentration of buying companies accounting for a large portion of the sales and increased pressure to improve services (Bragg 1982), increasing geographic dispersion of buyers of the same company (Shapiro and Moriarty 1982), increased pressure on cost and communication (Shapiro and Wyman 1981), increasing desire to develop partnerships (Shapiro and Posner 1976) and increased sophistication of buyers (Maher 1984).
To address these new pressures, some companies (Stevenson and Page 1979) assigned one salesperson the responsibility to manage and develop a limited number of Key accounts. Very rapidly it could be observed that these sales people did much more than just selling the product. They rapidly became in charge of understanding the customer’s operations in order to increase the efficiency and productivity of these large customers. They took the responsibility for selling, delivery, coordination of activities, monitoring progress of orders, monitoring inventory, assure the installation, handling billing and many other activities (Shapiro et al. 1976).

These early attempts of addressing needs of a limited number of Key accounts proved to be successful (Pegram 1972). Benefits for the customer’s as well as for the selling companies were reported by Pegram: a single interface to resolve problems combined with uniform prices would lead to better cost control, increased availability, reliability and delivery for the customer. The selling company on the other hand would benefit from insured, continued orders and a reduction of selling costs.

But what is the functional content of Account Management? Does it refer to sales, marketing or strategy?

Interestingly we discern two schools of thought. The first school takes an operational sales driven approach. This school emphasis “how to do it”, but provide little theoretical or empirical underpinnings. This school is the “Key account selling”-school.

The second school takes a strategy driven approach. This school emphasizes long-term relationships with key customers. This school is the “Key account management”-school.

Under Key account selling, the objectives are simple and trivial: sell more and make more profit with your existing customers who already present a major part of the revenues of the company. Because of this primary sales driven approach, the emphasis towards key customers is operational and short-term sales driven. The relationship building is primarily a means to increase sales. The Key account selling approach does not focus on strategic objectives such as the creation of entry barriers. Key account selling started to appear in the literature as of the mid of the 70’s in the USA (Weilbaker et al. 1997). When an industry or a company faces a growth decline, companies start to realize more than ever the benefits of customer loyalty: keeping existing customer is more cost effective than finding systematically new ones (Reichheld 1993). The globalization of the economy, the maturity of most industry-to-industry markets in the developed world and the increased power of customers as a consequence of mature markets all contributed to rethink the way companies approach and service their customers. It is recognized that the potential to build a competitive advantage with key customers not only creates a competitive advantage, the
lack of doing it can have a dramatic impact on the revenues and the profitability if a Key account decides to switch suppliers.

The second school on Key account management takes a more strategic approach towards key customers. Its purpose is to create strategic alliances with key customers and suppliers in order to become the sole or one of the main suppliers. Through those strategic alliances companies want to create a competitive advantage and bring stability to their operations when faced with high levels of competition in a rapidly changing environment. Its purpose is to create a long-term relationship with key customers by giving them special attention through a better and dedicated service and customer specific solutions compared to other customers (McDonald et al. 1999). The business logic behind this approach is that those key customers represent both a major opportunity for cost reduction and profitable growth as well as a major risk if they stop buying. As a result a company should allocate special and sufficient resources to satisfy those key customers in order to create entry barriers and switching barriers. A company should therefore identify its key customers; set-up a dedicated marketing and sales channel and finally manage the interaction with the most important customer from a strategic point of view.

The literature on Key account management originates in various fields of literature, such as industrial marketing, personal sales and sales management, purchase and procurement management, industrial purchasing, strategy, relational marketing, and personal sales (McDonald et al. 1997). The Key account management literature is not as yet strongly developed. It is only very recently that academics have started to focus on this field. However, it is clear that from the mid-nineties on, a growing number of companies have understood the importance of Key account management and efforts in this field have been stepped up. Key account management as a separate sales channel (Rottenberger 1991; Stevenson 1980) with its own sales organization has been gaining considerable importance over the last few years. The development towards Key account management originates from five driving forces: the customer structure in industrial markets (Pareto effect), the necessity to protect the customer base against competition, the necessary reduction of the number of suppliers in global markets, the organization of important customers towards global markets and finally the phenomenon of industrial consolidation. The popularity of the Key account management perspective can be illustrated by the evolution of the number of members that joined the Strategic Account Management Association (SAMA) between 1970 and 1999. During this period, US members increased from 250 to 800 by 1997 and to 1600 by 1999 (SAMA membership Director, March 2000).

Key account management is a marketing approach found primary in Industrial Markets (Barrett 1986). This is due to the special structure of the customer base in these types of
markets. Industrial markets typically have a limited number of customers and the structure of the customer base follows a Pareto distribution: 80% of the company revenues are generated by 20% of the customers (Hakansson 1982; Millman and Wilson 1995). Other characteristics of business-to-business markets are: Higher levels of idiosyncratic investments, long purchasing time frames, complex buying centers and processes, more contractual agreements and more industry standard regulations compared to business-to-consumer markets (Smith and Barclay 1997).

The concept of KAM is however not restricted to industrial markets. It progressively becomes possible to apply the concept of KAM to consumer markets as well. This is mainly due to the new possibilities that the new information technology offers in consumer markets to target individual customer needs on a cost effective basis. Technology today allows companies operating in consumers markets to identify valuable customers and offer them special services on a nearly individual basis (De Wulf and Odekerken-Schröder 2000; Peppers and Rogers 1997).

The existence of the two schools of thought creates confusion as to what the nature, processes and objectives of Key account management and Key account selling are. However, while being different, the terms Key account management (KAM) and Key account selling (KAS) are used interchangeably (Hanan 1985). It should however been clear that: Key account selling focuses on short-term company sales increase, while Key account management has the ambition to create a competitive advantage through a well-established long-term relationship.

What appeared to be a simple concept: keep your most important customers and sell more to them, reveals to be a very complex process requiring not only to implement a dedicated sales and marketing approach but to develop a well defined company and marketing strategy as well. Ultimately the challenge is to create a customer focused organization implying all the complexities to build a market driven culture (Day 1999). When companies realize the difference between “selling more to important customers” and “rethinking the way to approach their main customer base from a strategic point of view”, they are ready to move from Key account selling to Key account management.

WHAT IS A KEY ACCOUNT?

“Key account” is currently ill defined. We will give a critical overview of definitions used in de literature and conclude with an innovative definition. This definition provides a valuable synthesis as a basis for future research.
Used nomenclatures for “Key account”

Both from an academic as from a practitioner’s point of view, different words with different meanings are used to indicate an important customer. Two terms commonly used today are: Key account and Global account (Montgomery, Yip and Villalonga 1998). For an overview of the used nomenclatures see Table 1.

Table 1: Used Nomenclatures for Key account

<table>
<thead>
<tr>
<th>Nomenclatures for Key account</th>
<th>Literature reference</th>
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<tbody>
<tr>
<td>Important Account</td>
<td>Fiocca (1982)</td>
</tr>
<tr>
<td>Large, Big or Major Account</td>
<td>Barrett 1986; Colletti and Tubridy 1987; Shapiro et al. 1976</td>
</tr>
<tr>
<td>National Account</td>
<td>Cooper and Gartner 1993; Platzer 1984; Shapiro and Moriarty 1980; Shapiro et al. 1982; Shapiro and Moriarty 1984a; Shapiro and Moriarty 1984b; Tubridy 1986</td>
</tr>
<tr>
<td>Key Client</td>
<td>Pels 1992</td>
</tr>
<tr>
<td>International Account</td>
<td>Verra 1994</td>
</tr>
<tr>
<td>Global Key account</td>
<td>Yip and Madsen 1996</td>
</tr>
<tr>
<td>Worldwide Account</td>
<td>Montgomery et al. 1998</td>
</tr>
<tr>
<td>Multinational Account</td>
<td>Montgomery et al. 1998</td>
</tr>
<tr>
<td>Global Strategic Account</td>
<td>Wilson 1999b</td>
</tr>
<tr>
<td>Strategic account</td>
<td>Wilson 1999a</td>
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One can observe however that over the years there has been a shift in the use of these terms. Publications in the eighties refer to National or Major Account. In the early nineties and from the mid-nineties onwards-important customers (in industrial markets) are called Global Key account or Strategic Account. This evolution in the designation of a major customer as a National Account previously, and currently a Global Key account or Strategic account is due to the impact of globalization (Bartlett and Ghoshal 1989; Yip et al. 1996) on the customer-supplier relationship during the last two decades.

The adjective placed before the term “Account” highlights two characteristics: first the geographical spread (Local, National, International, Multinational, Worldwide, Global) and second the importance (Large, Big, Major, Key, Strategic) of the customer for the supplier (Fig.1).
The reason for more accurately describing the term Key account by adding an adjective indicating the geographical dimension is related to the globalization of the economy and the resulting growing complexity of customer management entailed by the growing geographical spread of the customer organization (Montgomery et al. 1998; Wilson 1999a; Yip et al. 1996). This indicates that there are other requirements as concerns the supplier’s business organization in order to manage really major customers that are organized globally or internationally.

Pinpointing a customer as being important by adding the adjective Large, Big, Major, Strategic, also demonstrates the acceptance that within industrial markets this will enhance the competitive position and hence the profitability of the company if the supplier pays special attention to the customer segment or the customer portfolio including customers that are strategic for the selling company (Barrett 1986; Shapiro et al. 1984a; Sweerman 1990). The reasons for granting more attention to these major or strategic, existing or potential, customers and consequently to adopt a specific marketing approach for this type of customer, is the basis for using the name Key account (McDonald et al. 1997).
indicates that this customer segment has specific characteristics justifying a different approach towards the customer and within the organization.

Definitions of “Key account”

There is a growing consensus (McDonald et al. 1997; Montgomery et al. 1998; Pardo 1997) to define Key account as:

“A Key account is a customer in a business-to-business market identified by a selling company as of strategic importance.” (Millman and Wilson 1994)

To understand “strategic importance”, we must return to an initial concept definition given by Fiocca (1982). He does not use the term Key account but describes the concept of “Important Account” (see Table 1). Colletti and Tubridy (1987) narrow further the definition of an important customer given by Renato Fiocca (1982) down. They introduce the term “Major Account” (see Table 1).

The definitions reported in Table 1, do not indicate the importance of an “Important Customer”; “Important Account” or a “Major Account” is to the supplier. The definition of Renato Fiocca as well as that of Colletti and Tubridy is based on the customer’s characteristics towards the supplier to define him as being an “important customer”. To do so criteria as turnover, profitability and procurement centralization are used. Authors like (Barrett 1986; Campbell and Cunningham 1983) have a similar approach. They also base their description of the relevance of a customer on the customer’s characteristics.

The problem of defining a “Major Account” on the sole basis of the customer’s characteristics towards the supplier is that one risks losing a major dimension. Indeed Key accounts can be both large and small, can be local, international or global, they may be prepared to establish a strategic relationship or may be of a highly opportunistic nature. Based on these considerations Millman and Wilson (1994) define a Key account with as sole condition the fact that the supplier believes that the customer is of strategic importance to him. As concerns the criteria that may be used to consider a customer strategically important they refer to the criteria mainly defined by R. Fiocca (1982) and Colletti (Colletti et al. 1987). These strategic criteria were either adopted as such or extended by amongst others: (Barrett 1986; Campbell et al. 1983; Fiocca 1982; McDonald et al. 1997; Millman et al. 1994; Turnbull and Valla 1986).

By defining a Key account from the only perspective of the supplier, Millman and Wilson, lose an important dimension of Key Accounts. We believe that both the position of the customer and the supplier should be taken into consideration, because no strategic relationship can be developed with a customer, if the customer does not agree with it.
**Table 1: Definitions of “Key account”**

<table>
<thead>
<tr>
<th>Terminology</th>
<th>Literature Reference</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td><strong>Key Account</strong></td>
<td>Millman and Wilson (1994)</td>
<td>A <em>Key account</em> is a customer in a business-to-business market identified by a selling company as of strategic importance</td>
</tr>
<tr>
<td><strong>Important Account</strong></td>
<td>Fiocca Renato (1982)</td>
<td>Generally industrial sellers consider an account very important when its purchases or potential purchases are larger than those of other buyers. However other elements can define an account as an “important account” When the account is particularly prestigious or market leader, industrial sellers may only marginally consider the amount of purchases. The factors by which the strategic importance of the account can be grouped are: Volume or dollar value of purchases, Potential of the Account, Prestige of the Account, Customer Market leadership, Open new markets, Company's Business Diversification, Improve Technological Strength, Improve or Spoil other relationships.</td>
</tr>
<tr>
<td><strong>Major Account</strong></td>
<td>Colletti and Tubridy (1987)</td>
<td>A <em>Major Account</em> is a customer who typically involves several people in the buying process before a sales takes place, Purchases a significant volume both in absolute dollars and as a percent of a supplier's total sales, Buys centrally for a number of geographically dispersed organizational unit, desires a long term, cooperative working relationship as a means to innovation and financial success, expects specialized attention and service: information and reports about usage, logistic support, inventory management, favourable discounts, ideas for line extensions or new applications.</td>
</tr>
<tr>
<td><strong>Global Account</strong></td>
<td>Millman 1999</td>
<td>A <em>Global Account</em> is a customer of strategic importance to the selling company which have/are …Extensive geographical reach, Integrated their manufacturing assembly and commercial operations across two or more regions or continents, Expectations of coordinated and consistent supply and service support world-wide, Potential for close relationship and joint investment via partnership for global expansion, Declared aspirations of global growth/development, Requirements for which the supplier value proposition can be maintained on a global basis, Potential for the supplier to increase his share of the customers purchase budget, Attempted to leverage their purchasing power world-wide, Strategic operational end cultural fit with the supplier, Receptive to being “account managed” on a global basis, Globally minded top management, Acquired experience of setting up global sourcing partnerships with complementary suppliers.</td>
</tr>
</tbody>
</table>
Not everyone however follows the definition of Millman and Wilson. A more short-term definition of Key account is found in (Griksheit 1993)

«Key accounts are those accounts that will return the highest sales and profits to the company. They are the critical accounts in the short run as they will in large part determine short run profits» (Griksheit 1993).

Griksheit probably stands alone with this definition. We were unable to find any further reference to this definition in the relevant literature. As stated above after 1994 the subject literature refers to the definition of Millman and Wilson (1994).

Recently (Millman 1999; Montgomery et al. 1998) proposals have been made to define the concept of Global Account on the basis of the Key account definition put forward by Millman and Wilson (1994). Montgomery claims that a Global Account is a Key account (according to the definition of Millman and Wilson) in which the customer is present in various countries but not necessarily in all countries and is a customer for various products or services but not necessarily for all. Tony Millman (1999) goes much further in his definition of a Global Account. (See: Table 1) by listing the different criteria to identify possible Global accounts.

An attempt to summarize all the above concepts was made by Kevin Wilson (Wilson 1999a) who tried to introduce the concept Strategic Account. He claims that National, Regional, International as well as Global Accounts are nothing else than a section of the Strategic account Portfolio of the company. Kevin Wilson does not define the concept of Strategic Account. To him it is an umbrella concept or generic name for the portfolio of all the types of accounts a company may have divided according the geographical spread. However, he adds that as concerns Global Accounts:

“...Whether they represent the same problems writ larger and may be managed in the same way as strategic national, international or regional based accounts should provide the basis for debate. The organizational complexity and cultural diversity surrounding the GAM process coupled with the author’s perception of the potential held by GAM strategies to fundamentally alter the way in which business is done, suggests that GAM is different from other forms of Strategic account management.” (Wilson 1999).

We note as well that the concepts Key account and Strategic Account are increasingly being used as synonyms. The fact that the largest professional organization focusing on Key account management in the United States recently changed its name from National Account Management Association (NAMA) to Strategic account management Association (SAMA) also points into this direction.
It is, however, striking that all the definitions found in the literature all focus on the supplier and not on the customer. This is all the more surprising since in his research into the characteristics of industrial markets Hakan Hakanson (1982, pp.1), states: “...understanding of industrial markets can only be achieved by simultaneous analysis of both the buying and selling sides of the relationship.”

The only research we found in the literature that investigates the Key account relationship from both the customer and the seller viewpoint was carried out by Catherine Pardo (1997). This research analyses the perception of the Key account as seen through the eyes of the customer. Pardo proposes a model of the various possible customer attitudes with regard to suppliers having identified these customers as “Key account”. Pardo does not draw any conclusions as to a possible changed definition of what Key accounts might be if the relationship and behavior of the customer were also taken into consideration.

**Conclusion on definitions of “Key accounts”**

To summarize we can state that the following conclusions based on the literature study of the definition of Key account can be drawn:

1. The literature does not give an unambiguous definition of the concept Key account. We note that as from 1994, a consensus has developed within the literature to adopt the definition of Key account proposed by Millman and Wilson (1994) i.e.: “A Key account is a customer in a business-to business market identified by a selling company as of strategic importance”

2. The concept Key account originates when, for market segmentation, one takes the customer as the segmentation parameter and the customers’ importance as a variable. The customer segment of very important or strategic customers is called Key accounts.

3. The Major customers’ importance variables are: Turnover or potential turnover, The Profit margins or potential profit margins, Importance or potential importance of the market segment, The Image or Status provided by these customers, The Innovation capacity of these customers, The Reference value for other markets. It is characteristic of the Key accounts segment that on the whole not just one variable but usually a combination of variables are used.

4. The current definitions and approach towards Key account do not take into consideration the conditions under which the customer should be implied. No conditions related to the behavior of the customer are imposed in order to identify a
customer as a Key account. We believe this is however essential in order to be able to create a competitive advantage with the customer.

**Definition of “Strategic Account”**

Based on our analysis of definitions of Key account found in the literature and our critics as to the absence of the explicit involvement of the customer–supplier relationship, we propose a new definition (see Fig.2), namely that of a Strategic Account:

“Strategic accounts are potential or existing customers identified by the supplier based on strategic criteria and for which the supplier has indications that he is of strategic importance for the customer as well.”

**Fig. 2.** Strategic Accounts: Key Accounts and Potential Accounts identified as Strategic by the Customer

The difference with the definition proposed by Millman and Wilson is that we define a Strategic account not only by the criteria used by a supplier but by criteria involving the customer as well. We believe that a Key account can only be developed towards a Strategic account if also the customer is willing to accept and build a long-term strategic relationship.
WHAT IS KEY ACCOUNT MANAGEMENT?

Used nomenclatures for “Key account management”.

Whereas the literature gives few or no clear definitions of the concept of Key account, although there is a tendency towards adopting the definition of Millman and Wilson (1994), there is no accepted definition whatsoever of the concept “Key account management”.

As was the case for the definition of “Key account”, we also find numerous denominations for “Key account management” in the literature and in corporate life. The terms that are virtually used as synonyms for Key account management are: Large Account Selling (Rottenberger 1991), Key account selling (Coppett and Staples 1983; Millman et al. 1995), Key account Sales (Kurzrock 1983), Major Account Sales Management (Colletti et al. 1987), Global Account Management (Millman 1996; Yip et al. 1996), National Account Marketing (Rottenberger-Murtha 1992; Stevenson et al. 1979), National Account Management (Shapiro et al. 1980), Strategic Account Selling, Complex Sales, International Account Management (Verra 1994).

These terms are in direct relationship with the multiplicity of terms used as synonyms for Key account. Here the management process is referred to in one of the following terms “Selling”, “Management” or “Marketing”. It should be noted, however, that the underlying philosophy behind the terms “Selling”, “Management” or “Marketing” are strictly speaking not synonyms. Approaching a customer from a marketing philosophy differs considerably from the sales philosophy approach.

Definition of “Key account management”

Stevenson (Stevenson 1981) defines as one of the first, the term Account Management in the literature. He defines Account Management as follows:

“Basically, it (Account management) means that very large and/or important customers are afforded special treatment and special status by the National account marketer. Once designated as a national account, the customer will generally be called on by a special sales force, and may receive inventory concessions, better prices, and special service arrangements “ (Stevenson 1981)

It is important to note from this first definition of 1981, that Stevenson states that Account Management consists of allocating corporate resources in function of the importance of the customer. This focusing of resources is highlighted on the one hand by the allocation of a specialist sales team and on the other hand by the investment in major customers through
price reduction, inventory management and special services. This definition does not refer to a payback effect on investment, to the justification for making these investments, or to the goal one seeks to achieve before setting up this type of organization.

This differs from the definition proposed by Shapiro and Moriarty (Shapiro et al. 1982). They state that:

“The general Objective of National Account management is to provide incremental profits from large or potentially large complex accounts by being the preferred or sole supplier. To accomplish this goal, a supplier seeks to establish, over an extended period of time, an “institutional” relationship, which cuts across multiple levels, functions, and operating units in both the buying and the selling organization. Ideally, this institutional relationship transcends and is stronger than any of the individual relationships between the two companies “ (Shapiro and Moriarty, 1982, Page 8).

This definition of Account Management puts forward a series of important new terms, which indicate both the purpose and characteristics, of the management of National (Key) Accounts. According to Shapiro and Moriarty the purpose of Account Management is first and foremost to have Major (current) or potentially (future) major customers yield higher profits. This must be achieved by creating an institutional relationship in order to become the main or sole supplier. Moreover, this institutional relationship is more than a personal relationship. The creation of an institutional relationship means that relationships are established at different levels resulting in a relationship that is stronger than the sum of all individual relationships. Marketing literature refers to this type of relationship structure as multilevel selling.

Coppett and Staples (Coppett et al. 1983) go one step further in defining Account Management by introducing the concept Account Team, Customer specific products or services (customized):

“In contrast to the traditional marketing approach, which focus attention on the product and has little or no concern for related or needed services, the national account team provides expertise, resource personnel (technical consultants), and post-sale service personnel. The team creates a differentiated or “customized” product or service to fit the customer’s particular needs. This is known as the holistic approach to marketing” (Coppett and Staples, 1983, Page 41)

Based on the above definitions Verra in 1994 (Verra 1999) proposes to define Account Management as:
“Account Management is the philosophy and the set of instruments and techniques serving to monitor the relationship with (potentially) major customers and to improve them through targeted influencing, thus increasing the turnover and profit” (Verra 1999)

Verra (1999) uses the words “philosophy” and “set of instruments and techniques” to refer to the philosophy of account management as put forward by Shapiro and Moriarty (1982): long term, institutional relationship, sole supplier or preferred supplier as well as to the instruments such as: account team, multilevel selling, customization as proposed by Coppett and Staples. It is interesting to the note the importance Verra attaches to the explicit listing of the corporate goals that Account Management should have, namely to strive for: higher turnover and profit.

In 1995, Antony Millman (Millman et al. 1995) also proposes a definition of the concept Key account management. This definition is later adopted by (McDonald et al. 1999):

“Key account management is an approach adopted by selling companies aimed at building a portfolio of loyal Key accounts by offering them, on a continuing basis, a product/service package tailored to their individual needs. To co-ordinate day-to-day interaction under the umbrella of a long-term relationship, selling companies typically form dedicated teams headed up by a Key account manager. This special treatment has significant implications for organisation structure, communications and managing expectations” (Millman A.F. 1995)

This is in striking contrast with Verra (1999). The notion of profit and turnover has not been included in the definition of Millman (1995). It is clear that in these definitions of Account Management concepts such as continuity, long-term relationship, dedicated sales teams, special treatment of the customer segment are found again as they had been proposed by earlier authors. Apart from the issue of profit and turnover we may conclude that over the years a consensus has evolved concerning the major characteristics of the management aspect of Key accounts. However, there seems no consensus as concerns the purpose of the process. This is all the more surprising since we are dealing with an essential marketing and corporate process.

The possible mention of the finality of Key account management is already noticeable in the choice of denomination. No distinction is made between the terms “Selling”, “Management” and “Marketing”. This distinction is fundamental. The approach of a Key account and most certainly of a Strategic Account from a “Sales” approach is quite different from a “Management or Marketing” approach. Millman and Wilson first highlighted this distinction in
the literature in their paper “From Key account selling to Key account management” (Millman et al. 1995). This paper draws a clear distinction between “Selling” and “Management”. The main difference according to Millman and Wilson is the short-term aspect aimed for by a “selling” approach. Here the focus is not on solving customer problems, nor on building a long-term relationship but on selling existing products. This contrasts with the “Management” of an account where according to Millman and Wilson, the focus is on establishing a long-term relationship with the customer. Here the aim is to create added value by gaining insight into the customer’s value circuit, by proposing process solutions and possibly by aiming for transformations in which all the corporate competencies are called on to achieve solutions for the customer. In doing so a unique competitive position is obtained. According to the authors the final goal of managing the Key account is to create added value and to avoid lapsing into systematic price negotiations. Millman and Wilson further extend the concept “Management” of Key accounts by proposing a Key account Development Model in function of on the one hand the level of involvement of the customer (straightforward to complex) and on the other the nature of the customer relationship (Transactional to Cooperative) 6 types of behavior or relationships with the customer may be expected or developed: Pre-KAM, Early-KAM, Mid-KAM, Partnership-KAM, Synergy-KAM and Uncoupling-KAM.

Each of these relationships has different requirements and offers different collaboration possibilities. The “Management” of a Key account consists of using the corporate resources to achieve optimal results. This means that depending on the stage of the relationship KAM will need to spend more or less time on finding solutions. This decision on how to allocate the resources is the essence of management. Indeed the model implies that not every customer is willing to enter into a long-term relationship. It would be pointless to invest time and resources in a customer who clearly does not want such a long-term relationship.

We believe the lack of consensus as concerns the definition, demonstrated by the two concepts: Key account selling and Key account management, are the reason why the objectives in terms of Profit and Turnover are not always explicitly mentioned in the various definitions. Moreover, it is understandable that the concept of Profit and Turnover is not included in the definition given by Millman and Wilson (1994) on Key account management, since both authors assume that Key account management in terms of purpose and approach is not a sales activity but is aimed at establishing a relationship. Their approach is far more strategic and long-term oriented than short-term and sales driven. The Key account management approach proposed by Millman and Wilson is predominantly based on the research performed by the Industrial Marketing and Purchasing (IMP) group (Ford 1997; Hakansson 1982; Turnbull et al. 1986). Indeed, the IMP group lies at the basis of the research into industrial marketing and into industrial relationship marketing.
A COMPETENCE PERSPECTIVE ON KEY ACCOUNT MANAGEMENT

The previous literature review of the definitions of Key account management shows the same business objective for Key account selling as well as for Key account management: keep, sell and make more profit with important customers. However the strategy to reach this objective cannot be short-term sales driven. In order to succeed, a firm must go beyond selling and must be able to create a competitive advantage through a distinctive value proposition based on the specific needs and preferences of key customers. Because key customers are so crucial to the success of the company, resources must be allocated to make this value proposition specific and unique to the needs and preferences of the customer. It is through this distinctive and customer specific value proposition that a sustainable competitive advantage is achieved. Indeed, in industrial markets customers measure the effectiveness of products, services or solutions by the efficiency increase they realize in their value chain.

The degree to which companies succeed in creating this sustainable competitive advantage with industrial customers depends on their competences in the fields of technology, process control and skills and ability in establishing relationship networks (Wilson 1997). This assumes more than integration between marketing and other functions within the company. While coordinating internal processes is important, the theory of relationship networks argues that co-ordination should not be limited to internal processes but that, moreover, there should also be integration with both the resources and the know-how/skills of all parties involved in the company’s relationship network in its environment. This approach supports the argument for the need on systemic thinking, which is at the core of the theory on competence-based management. Hamel and Heene (Hamel and Heene 1994 pp. 317) put this even clearer when they say, “Sustainability from a dynamic point of view requires that the theory of strategic management become a theory of process thought.”

Research done by Kevin Wilson (1997) as well as Tony Millman et al. (1999) indicates that there is strong belief that the deployment of company wide competences is one of the single most important elements in building a defendable competitive advantage with Key accounts. By looking at KAM and Key account selling, from the theory of Competence-Based Management, it is possible to pinpoint the difference between the two concepts.

Competence Building and Competence Leverage

A relationship between Competence-Based Management and Key account management is established in two phases: In a first phase we introduce the definitions proposed by the Theory on Competence Based Competition (Sanchez, Heene and Thomas 1996 pp. 7-12) summarized in Table 3. In a second phase we apply the concepts of KAM on the “Firm
Longevity” model developed by Heene. We slightly adapted this model for the purpose of discussion on the relationship between competence-based management and Key account management (Fig. 3).

Sanchez and Heene argue in their model that a firm creates value towards customers by selling products, services or solutions. Through this value creation customers allow a firm to make a profit, to generate cash and to increase eventually the value of the firm. The amount of value a firm can capture or appropriate out of this transaction with the customer depends on the competitive forces between the firm and the customer, as defined by Michael Porter (Porter 1980). The objective of the firm is to appropriate or maximize the value in this interaction process. A part of the value it can appropriate or capture will be distributed to the stakeholders (customers, personnel, government, management, suppliers). Sanchez and Heene put further that the stakeholders allow the firm to increase its assets and capabilities. Through these assets and capabilities provided by the stakeholders a firm can build up competences, which it can apply or leverage to new markets in order to create new value.

Applying KAM and Key account selling to the “Firm Longevity” model allows us to define the difference between the two marketing approaches from a competence-based point of view. Key account selling corresponds to the Value Creation and Value Capturing process in the model, while Key account management is much more related to the strategic side of the model and corresponds to the Competence Building and Competence Leverage part of it.

Key account selling in this model equals the classic sales activity. Based on the products, services or solutions a company has developed and which represent a certain value, the role of the Key account selling is to capture the most value from the transaction process with the customer. In this process Key account selling is not involved in the building or leveraging of competences.

KAM however is part of the competence leveraging, value creation and capturing process. As such we can say that Key account selling is a sub-activity of KAM, where KAM is much more strategic oriented than Key account selling. It is possible to extend the concept of KAM by linking it to the competence building activity. However we believe that by doing this the concept of KAM gets extended to such a degree, that it calls for a new concept definition: The concept of Strategic account management.
**Table 3: Definitions used in Competence-Based Management**

<table>
<thead>
<tr>
<th>Terminology</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Competence Building</td>
<td>Is any process by which a firm achieves qualitative changes in its existing stock of assets and capabilities, including new abilities to coordinate and deploy new or existing assets and capabilities in ways that help the firm achieve its goals. Competence building creates new options for future actions.</td>
</tr>
<tr>
<td>Competence Leveraging</td>
<td>Is the applying of a firm’s existing competences to current or new market opportunities in ways that do not require qualitative changes in the firm’s assets or capabilities. Competence leveraging is the exercise of one or more of a firm’s existing options for actions created by its prior competence building.</td>
</tr>
<tr>
<td>Competence</td>
<td>Is an ability to sustain the coordinated deployment of assets in a way that helps a firm achieve its goals.</td>
</tr>
<tr>
<td>Assets</td>
<td>Are anything tangible or intangible the firm can use in its processes for creating, producing, and/or offering its products to the market. <em>Firm-specific Assets</em> are those, which a firm owns or tightly controls. <em>Firm-addressable Assets</em> are those, which a firm does not own or tightly control, but which it can arrange to access and use from time to time.</td>
</tr>
<tr>
<td>Capabilities</td>
<td>Are repeatable patterns of action in the use of the assets to create, produce and/or offer products to the market.</td>
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Strategic account management

We define “Strategic account management (SAM)” from a competence-based point by including competence building in the process of KAM. Therefore we define SAM as:

“Strategic account management is the process that identifies and selects strategic accounts and develops thru competence building and leverage a set of specific and unique value propositions in partnership with a strategic account.

Strategic accounts are potential or existing customers identified by the supplier based on strategic criteria and for which the supplier has indications that he is of strategic importance for the customer as well.”

The purpose of SAM is to create a sustainable competitive advantage, which allows to capture the most value for the firm and to distribute the most value to the Strategic account. In practical terms this would mean that the supplier is able to remain on a customer’s shortlist, generates recurrent sales without going systematically through a competitive selection or bidding process and where the customer does not longer consider the competition as an alternative.

Implications

The proposed definitions on “Strategic account management” and “Strategic account” clearly define Account Management as a strategic process. At least 5 implications can be drawn from our definition:

1. **Strategic Process**: Our definition implies that Strategic account management is involved in the process of building competence. Based on the needs of Strategic accounts, decisions must be made to allow the development of new competences, which in turn can be used to create new services or products or solutions. As such SAM becomes an integral part of the resource allocation process within the company.

2. **Business Development Process**: It is not enough that Strategic account management is part of the Strategic process. It must be involved in the business development part as well in order to leverage the existing competences. To create a unique value proposition a Strategic account manager must be able to address all existing competences of the company. Marriott Hotels demonstrated a clear example of this when they proposed a full automatic invoice handling system integrated with expense reporting for employees of IBM staying at their hotels. By
doing this they leveraged the EDP competences to create a unique value proposition beyond the rent of hotel rooms.

3. **Skills of a Strategic account Manager:** It is clear that the competences and skills needed to perform the task of a Strategic account Manager are far beyond those of a sales person. Kevin Wilson refers to this function as a “political entrepreneur” emphasizing by this the strategic, business developing as well as the relational side of the function. We believe that in order to succeed in this function a Strategic account manager must have a background as well in sales, marketing, business development, strategy and operational business management. He must be positioned and viewed in the company as a senior executive, responsible for participating in the shaping the business strategy through his competence and knowledge of the most important customers.

4. **Selection of Accounts:** It is obvious that, by definition, not all customers can be selected as strategic accounts. However it remains a major strategic responsibility for the company to select wisely its strategic accounts. Research shows that only a small part of the customers are responsible for the profitability of the company (Storbacka, Strandvik and Grönroos 1994) and that only a small part of the customers drive the competitiveness of the company, the so-called future oriented customers (Wiersema 1997).

5. **Organization Structure:** Strategic account management implies a strategic segmentation of the customer base. Dedicated resources should be allocated to strategic customers in order to achieve competence build up and competence leverage. This means that a strategic focus and commitment is necessary. Research shows that this is only possible if there is a clear commitment of top management, which understands and supports this strategy (Millman et al. 1999). A direct consequence of this is that the Strategic account Manager must be part of the executive decision process of the company. Solving issues related to measurement, remuneration and management of Strategic account managers are essential to succeed. Strategic focus implies as well that a Strategic account manager should be responsible in principle for just one account. The remuneration and measurement is more delicate since we believe, based on our experience, that this is the single factor, which can drive Strategic account management back to Key account selling if it is wrongly designed.
CONCLUSION AND FURTHER RESEARCH

Literature review of definitions on Key account and Key account management indicates that still today no consensus is reached on a basic definition. From a practitioner’s point of view, this results in a lot of confusion. We identified two generic types of approach towards important customers: Key account selling and Key account management. Both try to achieve more sales and profit for the company but the first is a process of sales applied to important customers whereas the second is more long-term oriented and based on relationship marketing. Both concepts are defensive and share the belief that it is more effective to keep customers than to create new ones. By this, companies implicitly assume that the customer relationship is profitable.

We proposed in this article a definition for Strategic account and Strategic account management. The definitions we propose emphasize a strategic and competence-based approach towards strategically selected customers in order to create a competitive advantage. Introducing the notion of competence into the discussion on Key account management enabled us to make a distinction between Key account selling, Key account management and Strategic account management. Important questions (see: Table 4), from an operational as well as from a strategic point of view, remain and will need further research.

Some of the questions mentioned in Table 4 are at the center of today’s research in Key account management (Millman et al. 1999; Wilson 1998; Wilson et al. 1998). We believe that by introducing the concept of Strategic account management a different approach on the KAM subject, through the broader strategic and competence approach developed in this article, can be take place. It is our conviction as well that by focusing on Strategic account management companies will rediscover the strategic importance of a customer-focused organization. However, in order to capture the full the benefits of SAM, companies will need to implement SAM from a strategic change point of view, facing all difficulties and risks associated with strategic change programs.

All those remaining open questions can lead to many interesting, stimulating and important research projects for the future. We conclude and agree with the words of Catherine Pardo (Pardo 1999 pp. 286) when she writes: “We are still a long way from being able to say we know everything about Key account management".
**Table 4:** Questions for further research on Strategic account management

<table>
<thead>
<tr>
<th>Questions and Open Issues for Further Research on Strategic account management.</th>
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<tbody>
<tr>
<td>□ How to select strategic accounts?</td>
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<td>□ What are strategic indications that a supplier is recognized as strategic by a customer?</td>
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<tr>
<td>□ How to approach proactively strategic accounts?</td>
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<tr>
<td>□ What performance indicators should be used to measure Strategic account managers?</td>
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<tr>
<td>□ How to train Strategic account managers?</td>
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<tr>
<td>□ What is the strategic development methodology applicable for Strategic account management?</td>
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<tr>
<td>□ How to calculate the return on Investment of competence build up with strategic accounts?</td>
</tr>
<tr>
<td>□ What is the role of top management in this Strategic account process?</td>
</tr>
<tr>
<td>□ What are the key elements of a competitive advantage with strategic accounts?</td>
</tr>
</tbody>
</table>
Figure 3: Competence Perspective on Key account management
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