How to succeed at Strategic Account-Based Marketing

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So what is Account Based Marketing (ABM)?

Although the term has been around for many years and while it has now become the focus of attention for many companies, there is still some confusion about exactly what it is. At the pinnacle of ABM models is Key Account Management (KAM). This can also be referred to as Strategic Account Management (SAM). This is one-to-one customer management. At the next level down are major accounts that are not quite big enough to be incorporated in KAM and it is here that ABM is becoming very popular. This is one-to-few customer management. Here, buying influencers are reached by what is known as IP-based targeting and there are now many software companies specialising in this. This is an excellent way of marketing to specific people, as each company has its own IP address. However, another major feature of ABM is the allocation of marketing executives to a number of specific accounts, so for the first time for decades, marketing people become an intrinsic part of the value propositions to specific customers.

To summarise, there are many customers who are big and important, but who do not make it into SAM. It is in this area that ABM is making its biggest impact. Even more important for marketing, however, is the re-engagement of the marketing community with big, important customers. There has been a depressing trend towards the almost complete separation of marketing from the real world of customers, as they have been drawn into the diversion of digital marketing.

In 2018, this trend towards ABM will accelerate.

This will focus on factors for success in SAM, as these major customers are becoming increasingly important to the profitability of suppliers and each one is frequently treated as a market in its own right, given their colossal size. Through 20 years of research led by Cranfield's Key Account Management Global Best Practice Research Club and previously sponsored by the likes of 3M, Siemens and Rolls Royce, here are a brief summary of six tips for ensuring success with these powerful customers.

Six tips for successful SAM

1. Understand SAM is *not* sales

First and foremost, all marketers should understand that SAM is definitely *not* the same as selling or sales force management. What marketers should be trying to do with SAM is build long-lasting rapport with these customers that will eventually blossom into a situation where the customers *want* to spend more money with them, as opposed to being pressured into it.

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As mentioned above, the select few customers that fall under SAM are responsible for a significant portion of overall revenue, and so they need to be separated from the usual customer base and dealt with under an exclusive programme where long-term relationships are valued over short-term financial gain.

2. Determine your Strategic Accounts (SAs) — but not too many

Once step one is understood by everyone across the business, you can start to determine the customers that you could consider SAs. However, you should bear in mind that these SAs will consume significant amount of your overall marketing resources, and so it is important not to assign yourself too many. Think of it like a circle of friends — there are only a certain number to which you can devote special attention.

Depending on the size of your business and the available resources, between 15 and 30 SAs is a good number to work with, and your selection should include a handful of prospective customers you would like to work with as well as current clients. Don't forget to also consider the future potential of some of your customers, as some of them could potentially grow to SA level in the future.

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3. Prioritise SAs according to needs and potential growth

While it is simply common sense that all SAs will require more effort and resources than other customers, some SAs will naturally require more work than others, perhaps due to the size of the company itself or because of the scope of a project. Therefore, any effective marketing team will take the effort to prioritise their SAs according to the workload required, and there are a few factors that should be considered during this process.

Firstly, the needs of every SA should be determined. These are the questions that should be asked of each customer.

- What work has been agreed upon as part of the contract?
- How long will that work take?
- How many people will you need to successfully complete all that work in the given timeframe?
- Is any unexpected work likely to appear?

There are some factors that can help to more accurately determine the needs of each SA. For example, what are their strengths and weaknesses compared to their competitors, and in which of these areas will the most work be required? It is also worth identifying the key financial ratios of every SA and considering how this might play into their workloads, their current competitive position in their respective markets and their buying process.

Secondly, it is important to consider the potential growth of each SA. They are no doubt big now, but how feasible is it that they could grow even more over the pre-determined contract period? If the chances are likely, how much are they likely to grow, and will this growth require more resources over time?

Once again, it is pertinent that the longer-term picture is considered here. While some marketers might simply assign a given amount of resources that is just enough to complete the work for the next 12 months, they might find themselves struggling to cope with the extra growth and workload in 24 months' time.

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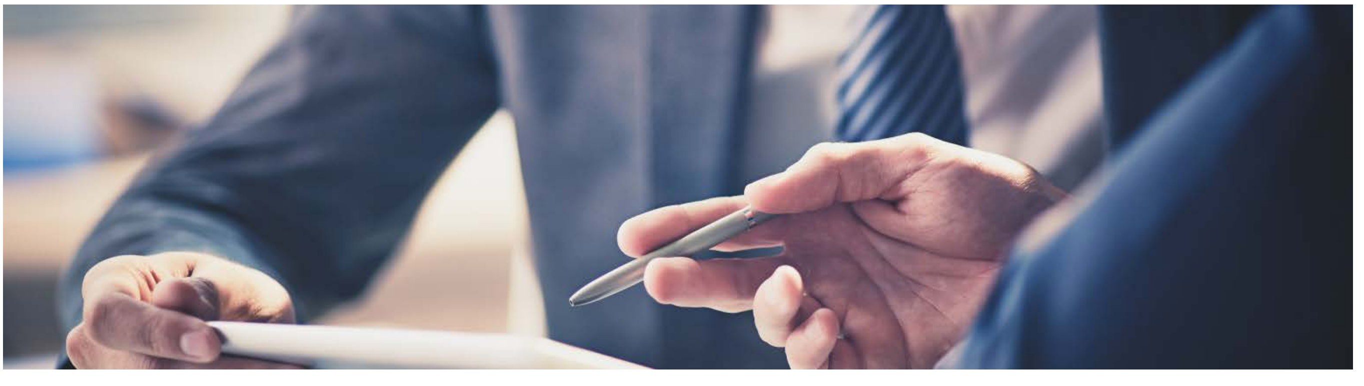
4. Make sure you set realistic SAM goals and expectations

Once you have successfully created a list of SAs that has been prioritised in order of strength, it is important to set goals and expectations that are realistic from both the marketing and the customers' perspectives. All too often, marketers promise their important SAs the world, only for them to be disappointed 12 months down the line when not even half of their expectations have been met.

To prevent this from happening, an effective solution is to divide all the SAs into the following four categories:

- SAs that are more attractive, and you have strengths in their area.
- SAs that are more attractive, but you do not have strengths in their area.
- SAs that are less attractive, but you have strengths in their area.
- SAs that are less attractive and you do not have strengths in their area.

Once you have successfully found the most competitive SAs and the areas in which you are able to excel from a marketing perspective, you can then set realistic goals for each one. These could range from growing revenue and profits to managing for sustained earnings or investing to improve your own marketing position.



You will need to develop strategic plans for the first three categories above which spell out quantitatively how you will create value for them. The only way you can create advantage for them is by;

- helping them to sell more
- helping them to avoid costs
- helping them to reduce costs.

These are not the same as merely helping them to avoid disadvantage. Forecasts and budgets will sometimes suffice for accounts in the fourth category above. They may well be in your SA programme purely because of their size, but keep a careful eye on them, as their circumstances might change.

5. Don't assign SAM roles to sales people

With all of this in mind, SAM roles should not simply be handed out to the individual that has the best track record in sales. The job requires someone with a deeper understanding of how big businesses — and their SAs in particular — like to operate; someone that is able to decipher the reasons behind the decisions they make and the way they like to be communicated with. They also need to be able to effectively control costs and make sure that the goals and expectations are being met within the promised timeframe.

"Strategic Account Management roles should not simply be handed out to the individual that has the best track record in sales."

In much the same way as above, the right person for a SAM role is someone who values the long-term benefits over quick gains. Management on a human level is more important here than pushy sales tactics, and this must be taken into consideration when weighing up your options.

6. Measure the profitability of you SAM portfolio

One crucial point to add is that there is little point in doing all of the above unless it leads to growth in profits. Our research at Cranfield over a period of twenty years shows that dealing with big, powerful customers often results in a loss-making situation and the supplier is frequently unaware of this fact. The reason is that even today, most organisational accounting systems still measure only product profitability rather than customer profitability. A little thought will help to understand that it is the cost of dealing with customers and markets after the product has left the "factory" that determines profitability, as the following brief case history illustrates.

The author was Marketing Director of a major fast moving consumer goods company and sold 3 million dozen of a product to supermarkets A and B. The problem was that customer A insisted on daily, just-in-time store by store delivery, which was very expensive. They also insisted that the sales force should visit stores daily to carry out merchandising. Even worse, they took 145 days to pay their accounts.

Customer B, on the other hand, wanted only one delivery to their central warehouse. They did not require merchandising and they paid their accounts in forty days.

According to the accounting system, however, both accounts were equally profitable, because overheads were allocated on a volume basis. The result was that supermarket A was rewarded for their expensive behaviour, whilst supermarket B was penalised.

The lesson is clear. Activity-based accounting is crucial in key account management and our research shows that far too many suppliers do not know the real profitability of their top key accounts.

Conclusion. The Future

With the large majority of business regularly coming from a small minority of customers, the role of SAM within wider marketing operations is more crucial than ever before. By following the tips above, marketers can avoid creating self-destroying SAM policies that are unknowingly doomed from the start, and instead can maximise the potential of each SA while developing important long-term relationships that ensure growth in sales and profits. Furthermore, there will be an increased focus on the measurement of profitability in SAM programmes, including ABM. As mentioned above, a feature of inadequate accounting systems has been the measurement only of product profitability, when the reality is that it is the cost of dealing with specific key customers that determines profitability. In 2018, there will be an increased focus on the role that SAM and ABM plays in creating shareholder value added (SVA is the net free cash flows, having taken account of the time value of money, the cost of capital and the calculated risks of the declared strategies).