SELECTION OF KEY ACCOUNT BY VALUE APPROACH: A PROPOSAL TO THE BRAZILIAN CONTEXT

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ABSTRACT
Key Account Management (KAM) as a distinct field of research dates back to the early 1990s. Several authors, researchers and academia have contributed with further investigation about the theme. Key Account Management (KAM) aims to identify, develop, improve, keep and transform the existing relationship with the customers that are of strategic importance to the company into long-term and profitable relationships. The business market requested for a different approach to deal with long and complex process that requires deep knowledge to create more than an individualized product or service. Despite existing arguments and studies regarding KAM, still there is much to be researched as it is a considerably new concept.

However, the concept of KAM is still misunderstood by many companies and for them, especially in the Brazilian market, where the competition has become fierce in recent years, its implementation is a challenge because KAM brings a revolution to the organisational structure and changes the way that all divisions of the company deals with its key customers. This research study sought to analyse how the selection of the Key Accounts is made in the Brazilian context and to define a set of elements to help managerial decisions when selecting an account. This study is the first to analyse this topic in the Brazilian industry; therefore, the outcomes would be a novelty. The main elements identified in this work were culture, KA manager profile, value-preposition, competitive intelligence and strategic direction.

The study had a qualitative research paradigm with a case-study strategy to investigate the issue in deeply details in a particular context. The data collection approach was based on in-depth interviews and the collected data were analysed by thematic analysis originating major themes.

Key words: Key Account Management, Brazilian market, Selection of Key Accounts, culture, KA manager profile, value-preposition, competitive intelligence, strategic direction.

INTRODUCTION

Key Account Management (KAM) is a topic that is increasingly making part of business-to-business companies due to incessant increase in customer's power and competition. KAM has been seen as a way to transform short-term relationships into long-term relationships in the supplier and customer interactions by offering personalized treatment to strategic key accounts. Several leading authors (McDonald et al, 1997; Pardo et al, 2006; Woodburn and McDonald, 2011; Homburg et al, 2000; Davies and Ryals, 2009) have contributed with definitions to the theme; the main aspect always highlighted by these definitions is the supplier's ability of developing a specific long-term relationship with the most valuable customers of a company, by delivering special treatment for them. In general, Key Account programmes are frequently designed for the companies (customer and supplier) to reach mutual gains.

However, in order to bring the expected benefits, KAM requires several changes in the company structure and its implementation is seen as a challenge. In Brazil, for example, several multinational companies in recent years are revising their structure and are implementing KAM, according to interviews done in some sectors such as food, automotive, retail and pharmaceutical. Nevertheless, it is possible to notice that these companies in the sectors mentioned above face several challenges and one of them is how to define if an account is key for the business. Several authors (Millman and Wilson, 1995; Woodburn and McDonald, 2011, McDonald, 2000; Pardo, 1997; Ivens and Pardo, 2008; Sharma, 1997) give their contribution by studying the main criteria of selection that companies normally apply; usually, the selection criterion is a combination of qualitative and quantitative data. However, it has been seen that companies still face difficulties to define these criteria, defined by the leading authors. It was possible to notice, through the interviews, that the selection criteria can change from one sector to another; there is not a pattern in the use of the criteria due to the type of the industry and culture issues. One way to define if an account is key is through value approach, where there is an attempt to identify what the customer represents to the company in terms of value and what the company represents to the customer in terms of value.

The main objective of this paper is to analyse the KAM approach in the Brazilian to propose a set of elements that can help the marketing decision maker to base in a value approach to define the key accounts. Thus, this article aims to put forward new possibilities of key aspects to help managerial decisions about the selection of key accounts.

METHODOLOGY

A qualitative research paradigm was chosen as most appropriate to reflect how the researched subjects perceive the applicability of KAM. Consequently, the inductive approach was chosen to allow the investigation of a specific context (Copi, 1968); resulting in a case study strategy to investigate KAM thoroughly some industries (Yin, 2003). The data were collected from four industries in Brazil. The data collection approach was based on one-to-one in-depth interview to probe into the perceptions that the interviewed subjects have of KAM. The data obtained from in-depth interviews were analysed by thematic analysis method (Boyatzis, 1998). Because the outcomes of the data collection were qualitative data, the thematic analysis was the most appropriate method. By using this method of data analysis, major themes were drawn by the researcher allowing a thorough data analysis.

LITERATURE REVIEW

Key Account Management is a highly relevant topic for marketing and has impacted on the way in which companies manage its relations with their key customers. Companies realized that in order to keep and maintain their clients it is necessary to develop long-term relationship and this new approach can have a significant impact on the business performance; as KAM is a way of creating differentiation and value in the relationships.

Some major changes have led to the development of KAM; one of them is that suppliers are facing more demanding and influential customers, who prefer to deal with few suppliers rather than many (Homburg *et al*, 2002). In many buyers' structures the procurement has been centralized, resulting in many cases in one unique global purchase. Additionally, buyers have demanded standards in service, price and logistics in all the purchases made across the globe. Due to these changes companies require KAM programs to meet the market needs. Sharma (1997) investigated who prefer KAM programs, and this research shown that customers that usually demand more services and where there is a long and complex buying process prefer to make part of a key account program.

Although in recent years it was possible to see a considerable increase in business-to-business companies using KAM programs, many of them do not apply consistently the KAM concept. Companies think that they are applying KAM, but they use the terminology just to give higher position to the sales representatives, for example. Or in some cases the key account manager deals with several accounts that are not of strategic importance.

KAM by its definition delimit to deal with the most important customers in the company's portfolio. However, how to decide who are these key customers? Are there any specific criteria of selection to follow?

By entering in a KAM program suppliers are assuring that they can offer a special treatment to individual customers. This different treatment requires investment of time and resources, and the supplier hopes that this investment brings return; however, if the key customers that have been chosen were selected in a wrong way, the supplier will be throwing away the entire KAM program. Suppliers have limitations and cannot provide a special treatment to a large number of key customers; surprisingly, many companies fail to select their key customers. They assume that they already know which are their most important accounts and this can be a serious problem as it can compromise the achievement of corporate objectives and increase in profit (Woodburn and McDonald, 2011).

Several authors (Millman and Wilson, 1995; Woodburn and McDonald, 2011, McDonald, 2000; Pardo, 1997; Ivens and Pardo, 2008; Sharma, 1997) give their contribution by studying the main criteria of selection that companies normally apply; usually, the selection criterion is a combination of qualitative and quantitative data. One criterion that seems be accepted by the academic field is that the key customer chosen by the company must be of strategic importance to the firm and be aligned with the company's corporate strategy (Millman and Wilson, 1995; Woodburn and McDonald, 2011). However, what does it mean to be of strategic importance? Pardo (1999) defines strategic importance as the customers that generate significant impact on the supplier's strategy.

McDonald (2000) claims that the supplier firm decides the criteria of selection of the customers and it is usually a combination of size (current and potential) and complexity; the author also asserts that many companies list several customers as key account and this goes against the principles of KAM where an intense relationship is develop with few customers. This highlights the need of better understanding the meaning of key account and to delimit more effectively the criteria of account selection.

Authors like Pardo (1997) points out that important customers are the ones who represent high stakes; and the choice of these customers may have been made ‘for quantitative reasons, which can be current or potential (high generated or potential turnover, profit margin or expected profit-margin, the high proportion of a given market segment they represent) and/or for qualitative reasons (image value, innovating capacity, reference in order to enter a new market)’ (p.17).

McDonald *et al* (1997) in their study identify the factors used by suppliers to select their key customers. Not only current volume is considered by the companies, but also potential volume because these give new horizons to the suppliers. Potential for profit is also considered when selecting key customers, however it is much more difficult to measure as many companies do not have capable systems to analyse costs allocation.

Only because some customers have a significant company size, they are considered as key customers; however, Sharma (1997) suggests that large customers do not necessarily generate large profits. An account cannot be chosen as key account because it is large, the profitability that this account brings to the company should be analysed. As the account is big, it demands more competitive prices, resulting in a decrease in the profitability generated to the supplier. Sharma (1997) proposes that when selecting the most profitable accounts the costs to serve these accounts should also be validated; if the profit is higher than the cost, the account should be selected.

Not only is it necessary to look at quantitative measures, but also qualitative ones. The supplier must consider its limitations as they will need to deliver a customized offer to the key account; thus, it is necessary to understand the complexity of the customers before defining them as key accounts. The account portfolio matrix identified by Fiocca (1982) cited in McDonald et al (1997, p.746) is a tool that provides a more detailed overview from customers, identifying attractive key accounts and supporting account development decision. In this matrix, the key account attractiveness is defined by the following factors growth potential, volume and market or technical leadership. Also, it takes into consideration the prospect/customer's patterns of buying behaviour such as the complexity of their requirements, their relative power and competitive position, and their skills levels.

However, when deciding if an account is key, the supplier should also analyse the value that the customer can bring to the company and the value that the company can offer to the customer. A core concept in the marketing discipline is value; according to Kotler and Keller (2006) “marketing can be seen as the identification, creation, communication, delivery, and monitoring of customer value” (p. 25). According to Jobber (2010) a way of attracting and maintaining customers is by delivering value. Marketing-oriented companies object to deliver higher value to their target customers; when delivering a higher value comparing to the competition, the company is exceeding customer needs.

Customer value consists of the perceiving benefits by the customer of an offering and the sacrifice that is related with its purchase. Perceived benefits can be resulted from the product, the associated service, the image of the company and relational benefits. Whereas, sacrifice can be described as the cost associated with buying a product. Monetary, time, energy and psychological are the costs that can influence the perceived benefits and consequently the value of an offer. The main objective of marketers is in finding ways to increase the perceived benefit and decrease the perceived sacrifice (Jobber, 2010).

Thus, it is possible to affirm that by applying KAM suppliers aim to reduce the perceived sacrifice by understanding the key customer's needs. As a result, the supplier has an increased in profitability; as stated by Kalwani and Narayandas (1995), if a company invests more in a determinate customer, it will have a better return on investment because this customer will be satisfied. Ivens and Pardo (2008), highlight that KAM programs has no objective to increase prices or work with 'price premium' but create value through same or lower price, increasing the number of products or services sold; as a result, decreasing the costs for the supplier.

Value can be created and delivered in many different ways. According to Pardo et al (2006), the value can be created through price reduction, priority ordering, additional after-sales service, privileged access to the supplier and customised offering. Customization, consultancy, complexity management, consistency and harmonization, and continuity and trust are other value delivered in KAM relationship according to Ryals and Holt (2007). Because the Key Account Manager understands profoundly the account, key customers can benefit from KA managers' support to solve operational and strategic issues (Sengupta et.al, 1997). In a research done by Ryals and Holt (2007) to analyse how the value is created and captured in KAM relationships, the authors propose the main sources of value gained and cost reduction that suppliers benefited from KAM. The authors list the sources of business growth as: selling to new customer divisions; share of spend; customer retention; consistency (harmonization); speed of results; and identification of more opportunities with that customer. Sources of cost reduction were: learning curve; economies of scale; process development and supply chain management; avoiding formal tenders; improved forecasting; and quantified value exchange. For example, new initiatives were executed more frequently resulting in more business in a small proportion of time what led to a consistent impact on cash flow. Also, developing a closer relationship and having a considerable number of contacts in the key accounts had a positive impact in the identification and exploration of opportunities, which was quicker and more efficiently than the competitors. The study also identified the origin of economies of scale as being savings generated in selling, administration and general costs and integration in supply chain processes between supplier and key account.

PROPOSAL OF A SET OF ELEMENTS IN THE BRAZILIAN INDUSTRY

Based on the literature review and in the interviews done with managers and directors in different Brazilian industries it was identified the following five elements: culture, KA manager profile, value-preposition, competitive intelligence and strategic direction. These elements will be further discussed.

1) Culture

Some authors suggest (Pardo, 1997; Ivens and Pardo, 2008; Woodburn and McDonald, 2011; Millman and Wilson, 1996; Richard and Jones, 2009; McDonald et al, 1997) that it is necessary to develop an internal organisational structure to support the applicability of KAM and this can be a revolution in many companies. The complex customers require different activities that are not available for the rest of the accounts; consequently, the involvement of other departments is necessary to deliver the differentiate offer (Homburg et al, 2002). Pardo (1997) and Ivens and Pardo (2008) both stress the complexity of managing Key Account programs because it is necessary to change not only the way that the contacts are managed between the supplier and the key account, but also the way that other department are integrated in the supplier firm.

It is very common that a company thinks that it is implementing KAM but in reality the key account manager has no authority or control over the resources that he or she needs; as a result, they fail to deliver the different approach promised to the key account (Woodburn and McDonald, 2011). Ivens and Pardo (2008) confirms the statement above by affirming that in many cases KA managers are not supported by other departments, and thus cannot perform their role as coordinator of the process of creating specific interactions. Because KAM impacts the way in which the organisation has to be structured, its implementation can face several cultural barriers. How to overcome these barriers and empower the KA manager to develop his work is a challenge in many companies, according to the interviews.

2) KA manager Profile

An important actor that must be carefully selected in the process of KAM implementation is the Key Account Manager. This manager has several responsibilities and it is an important piece that makes KAM works. Basically, the Key Account Manager is the intermediary between the key account and the supplier firm (Jones et al, 2005). Moreover, according to Sengupta et al (1997), this manager is responsible for communicating the customer's request and to allocate the resources that are essential to deliver the promised adaptation or financial incentive. Sengupta et al (2000) states that the main role of the Key Account Manager is making things happen in the supplier, so that the customers' problems are solved.

According to Reicheld and Sasser (1990), for the supplier benefit from the KAM relationship, having an increase in profitability and decline in operating cost, suppliers need to understand its customers' needs and assist these requirements correctly. The Key Account manager is an important actor in creating and delivering value, because according to Georges and Eggert (2003), key account managers develop a close relationship with the customer; as a consequence, they can encourage innovative solutions and improve the fit among the supplier's offer and customer's needs.

KA managers have a complex role in building long-term relationship and should be wisely selected to do not compromise the relationship with the key customers. Basically, this KA manager should have far more skill than a sales person, as they are the boundary spanners by identifying what the customer's need are and by adapting the offer of the company to supply these needs.

3) Value-preposition

To the value be created and be delivered in a KAM relationship the supplier needs to understand the needs of customers and adapt the offers for them, developing a relationship that adds value. According to Kotler and Keller (2006), value is the sum of all tangible and intangible benefits that are offered to the customers. As for Anderson et.al (2009) a value offer is a set of economic, technical, social and services benefits when considering the competition offering. Aranha (2013) points out that companies should be able to transform the customer's preference into benefit for them, not just in the present but also in the future, always validating its costs.

Thus, companies need to understand the meaning of value, needs to know how to deliver this value and how to measure this value. KAM programs can identify what is the main value for the customer, how the customer perceive value and personalize the service or the offer for them.

4) Competitive Intelligence

The Key Account Manager has the helicopter view of all the process in the company which enables to better analyse the business and have a clearer picture of the market. By developing a better relationship with the stakeholders within an account the company has more access to information and consequently more knowledge to provide solutions that add value to the relationship. Brehmer and Rehme (2009) assert that by having a focal point in the supplier company, who deals with the customer and have more knowledge about the account, problems are identified and solved more easily.

An important role that this KA manager plays in the KA programme is to collect as much as information as he can to anticipate threats and opportunities and then offer the best product or service comparing to the main competitors. According to Aranha (2013) the Competitive Intelligence process aims to obtain information on a daily basis so that information are always updated to guide the next steps of the organization.

5) Strategic Direction

Strategy should guide the implementation of KAM in the companies and the work of the KA manager. As described before KAM can face some cultural barriers in its implementation and consequently this can impacts the programme results. According to Davies and Ryals 2009, choosing the right customers for investment, appointing the right people to manage key accounts, providing the right support to the Key Account Manager, stipulating target and creating controls to measure if the accounts are performing as planned are some points that need to be considered before KAM implementation.

One way of better meeting customer's needs is by developing key account planning. Because in order to create a strategic plan for the account, it is necessary to scan the customers, so more knowledge can be gained and thus, further information can orientate how to improve the relationship with the key customers (Rayls and Holt, 2007). Goals to the account should be set and should follow the company's strategic direction (Woodburn and McDonald, 2011).

HOW THESE SET OF ELEMENTS ARE WORKING IN THE COMPANIES

In the Brazilian context the benefits of employing Key Account Management are generally well understood by the relevant decision makers within the organisations. Despite being a new concept, especially in the Brazilian pharmaceutical industry, the employees are aware that by using KAM they can have a better organisational performance. It was identified that by developing a better relationship with the stakeholders within an account the company has more access to information and consequently more knowledge to provide solutions that add value to the relationship. The KA manager develops the right contacts inside the account, which enables them to have access to disclosed information, impacting on actions to solve customer's problems that will also contribute to the results of the company.

The findings also show that the respondents are aware of the fact that in order to bring any kind of competitive advantage to the company, firstly the KA manager needs to develop a consistent knowledge of the account and the external environment. By understanding these two variables, the KA manager can work as partner or general consultant to the key account. It is suggested by the results that it is possible not only to identify problems but also needs and opportunities; as a result, the KA manager is able to support the account with different solutions, differentiating the supplier from the rest of the competition.

In fact, the companies are able to create and deliver value in the relationship with the customers that they named as key customers. However, the main issue is related to the way in which they select the accounts to be key accounts. It is known that KAM works with a reduced number of the most important accounts of a company and this company is using its efforts to manage too many accounts. The size of the account, volume and potential are the main indicators to choose an account. Nevertheless, it is possible to conclude that the managers and directors are still confused about the main criterion to decide if an account is key for the business.

Nevertheless, it is possible to identify that the KA managers were chosen from the sales force and there is no strategic and planning culture with them. As a result, the work made by them is more tactical and unplanned, predominating the short-term vision over the long-term vision.

Nowadays, it is very common to identify companies setting several objectives and who is implementing the actions becomes lost and the corporate objective, which is the most important objective, is forgotten. It was possible to identify in this study that the KA manager is also lost with the implementation of so many objectives and as result, there is not objectives set to the accounts.

FINAL CONSIDERATIONS

KAM has been seen as a way to create long-term profitable relationships in the supplier and buyer relation. Nonetheless, in order to bring the expected benefits, KAM requires several changes in the company structure and its implementation is seen as a challenge. The selection of the key accounts is very controversial as it is suggested several ways of selecting these accounts.

One way to identify these accounts, where it is analysed not only the customer but also the supplier, is by value approach. When choosing a key account the managers need to analyse what the customer consider to be important in a KAM relationship, if the supplier can deliver this requested value and what the customer can brings in term of value to the company. The supplier needs to identify for example, if the customer seeks for efficiency, customised offering, product quality, services, sales support, reducing in time of delivering and if the supplier can provide it. Improving the competitive advantage of a customer is the best value that a supplier can deliver. In addition, the supplier also needs to gain something in this relation, thus they need to look for key customers that also bring any kind of value to the company. Image, prestige value, customer's reputation, knowledge of some new technology is some values that a customer can bring to the supplier.

In general, continuous interaction in the account is important to identify what the customer considers to be value. When accepting to participate of a Key Account relationship the customer looks for a partner that will bring competitive advantage to the company and the supplier also needs to look for what the customer can aggregates to them. Overcome culture obstacles is also a challenge, as it is needed to develop an entire structure to support the applicability of KAM. Besides that, the KA manager plays a vital role for KAM works, this manager needs to have several abilities as they manage through company boundaries, functional disciplines and different cultures. Because it is very complex to manage the relationship between customer and supplier, it is important to create plans and have models to manage the accounts. These plans will guide all the actions in the key accounts.

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