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FEATURE STORY

Client, Customer and Buyer Accounts, Which Do You Have?

Segment Now, Partner Later Through Differentiation in Servicing Practice

By Dennis J. Chapman
President,
The Chapman Group

During a recent transatlantic journey I observed two business leaders engaged in the debate of the century. One leader was adamant that this is the time to keep all accounts satisfied at all cost, "without our current major account revenues we would really be in trouble!" The other leader was extremely frustrated by their largest account's most recent pricing demands and was suggesting that "they would probably be much better off without some of these demanding accounts!"

Regardless of which position you favor, it is now apparent in these volatile and challenging economic times that a well reasoned and rational solution must be determined and acted upon. The solution may lie right in front of our own eyes. As individuals, we communicate daily to those providing us products and services that we have varying buying criteria that motivate us to part with our hard earned dollars. We are sometimes willing to part with our own dollars for higher prices when significant value is understood, communicated, agreed upon and delivered. When this type of value offering fails to exist, many times we take the road of a commodity purchaser, choosing an option that presents to us the lowest price. In many situations however, all that we really want is the option or ability to choose which type of buyer we really wish to be in any particular buying situation.

This article is intended to stimulate the thought and action process required in meeting the challenge of remaining profitable while still servicing our organization's unique portfolio of accounts locally, nationally and globally. It is now the time to refocus your efforts and priorities on your approach to account servicing, as well as to align your expectations to your revised servicing plan.

THE WORD "CUSTOMER" IS USED INTERCHANGEABLY TO MEAN: A LARGE ACCOUNT, A POTENTIAL ACCOUNT, A SPECIFIC PERSON WITHIN THE ACCOUNT OR EVEN ALL ACCOUNTS IN A SUPPLIER'S PORTFOLIO.

Account-Centric Means Effective Servicing, Not Funding

Being "Account-centric" is the correct business model and servicing does not mean funding. There is a distinct difference between servicing and funding. Servicing means providing the products and services (human and technological) commensurate with account needs and expectations, all for a fair and profitable price. Funding means providing those same products and services at below costs, an inevitable "out-of-business" practice. Yet many times this represents the model that accounts are driving suppliers toward.

All supplier-servicing models have a cost-base associated with them. Suppliers must now implement the appropriate servicing solutions that address two important principles:

- When the cost-of-servicing exceeds gains in margin, it is the wrong servicing model, not necessarily a bad account.

- Accounts need to be given servicing choices. Suppliers need to develop multiple servicing models that allow accounts to choose the servicing option that best aligns with their needs, expectations, and business practices.

"Customers" versus "Accounts"

For many years, in many industries, terms have been sometimes used so loosely that their meaning becomes unclear, inaccurate, ineffective or sometimes just lost. An example of this is the word "customer". Throughout the business world, specifically in B-to-B businesses, the word "customer" is used interchangeably to mean a large account, a potential account, an account that we are losing, a specific person within an account or even all accounts in a supplier's portfolio. The impact of the generic meaning and use of the word "customer" can even be realized in the acronym CRM, Customer Relationship Management.

Does this acronym infer that all accounts are customers? Are those accounts who provide none, some or significant revenue and profit, all customers? Do they all have the same value? Do they all need similar or different management and servicing models? How do we differentiate?

In the new "e" world, true customer relationships are not always desired or practical. It is not our intention to place all users of the acronym CRM in error. We support the implementation of a unified relationship management process between an account and a supplier, and in many B-to-C environments the term Customers is very appropriate. It is now necessary to create a call-to-action for a next generation of CRM complete with more clarity, specificity, understanding and change in our approach to differentiating between types of accounts (Buyers, Customers and Clients) based on a set of predetermined yet flexible business criteria. One common fact is well known, that all businesses are someone's accounts!

The era of the three-martini lunch, tickets to ball games, golf outings and family chatter have all taken a second position to delivering EVP (an Economic Value Proposition).

How to Differentiate Between Clients, Customers and Buyers – New Look / New Meanings / New Implications

Over the past 30 years the common denominator across all businesses, most specifically in the B-to-B arena, is the term "account". All references to selling, servicing and relationship management should be centered on the term "account". An account may be one person; an account may also be an enterprise organization of many thousand workers. Accounts may or may not be customers, however they will always be accounts – and yes, users of some organization's similar products and services. Therefore, we recommend that all companies in the B-to-B business space start thinking "ARS", Account Relationship Servicing. We also propose that practices be established within ARS that segment accounts into three categories:

- Client Accounts,
- Customer Accounts, and
- Buyer Accounts.

Clients collaborate with one's organization on attaining mutual goals of profitability. They appreciate support, offer profitable revenue on a consistent basis and are reasonable in their expectations of services for prices paid. They embrace client teams and expand relationships between both organizations. They are willing to buy into and embrace agreed upon "economic value" delivery models.

Customers many times act and look like Clients, with one significant exception – they want most goods and services for lower than market prices. Customers are very costly to service. They must be transitioned to Clients or Buyers.

Buyers emphasize and focus on price. They primarily prefer to live in a "commodity-based" environment. Buyers are tasked with acquiring quantities for "best" prices. Value, relationships and services seldom offset significant pricing differentials in this account segment.

Note: These profiles are presented as account segments. Many times, individuals within accounts reflect these behaviors and practices. The sum of these individuals' practices helps determine the specific account type. One caution: it is recommended that extensive account knowledge be gained and evaluated prior to any typing of an account. Many times, diverse account behaviors and practices are prevalent within a single account. This requires adaptations within your "overall" account servicing practice to meet these "inner" account expectations and requirements.

We need to establish and administer this differentiation into our account servicing practice. This suggests that many suppliers will now have three different yet integrated servicing approaches for those accounts that offer them different levels of revenue and profitability: a Client account approach, a Customer account approach and a Buyer account approach. Only through this type of differentiation can servicing profitability and true account servicing expectations (supplier and account) be met. The good news is that accounts are

STRATEGIES FOR OPTIMIZING PROFITABILITY

Account Model Profile	Recommended Servicing Practice
• Client accounts offer long-term upside	• Team-based servicing, relationship networking, collaboration on joint profit gaining initiatives – sharing of vision and mission
• Customer accounts are very costly	• Transition to Client or Buyer Account
• Buyer Accounts	• Utilize technology gateways

driving this evolution. They are also experiencing similar issues and needs for segmentation within their own account portfolio.

More good news; technology has matured to the point of being able to support these innovative servicing approaches. Web-based technologies have enabled accounts to access delivery information, collaborate "real-time" with customer support centers to solve issues and, in some situations, even price their own purchases by product type, quantity and pricing levels while receiving an immediate ship date while online.

Example of Client Servicing Option

Some organizations have utilized a strategic account management best practice that integrates process, methodology and technology into one client servicing practice. This process aligns client teams and supplier teams (client-centric and cross functional) into one unified and collaborative workgroup. It enables clients and suppliers to take a proactive approach to achieving mutual visions, missions and business goals, i.e. profitability and new marketplace gains.

Total Costs of Servicing (TCS)

One of your most challenging initiatives will be to lock down your "Total Cost of Servicing" (TCS). This calculation is often difficult since it requires assimilation of internal and external costing numbers that have traditionally not been accurately tracked. The primary components of this calculation include:

- Sale price minus the sum of all the following account servicing costs related to a specific account
- Salaries, commissions, bonuses, etc. for personnel associated with servicing a specific account (account specific activity-based costing process required)
- All expenses; travel, lodging, meals, entertainment, product (installation / evaluation), technology (such as communication systems)
- Employee benefits and other reward costs for all team members
- Specific training expenses (employee or account)
- Senior management, marketing and corporate overhead factors

However, Total Cost of Servicing (TCS) is only one key component when determining the profile of your account. The following section provides additional factors that help us segment those accounts that truly are our Clients, Customers and Buyers in our account portfolio.

Account Segmentation Worksheet

There are 10 benchmarks for segmenting and differentiating between Client, Customer and Buyer accounts. Use the grid in Figure 1 as a worksheet for segmenting your accounts.

Client and Buyer accounts may offer acceptable levels of profitability. The important thing is that profitability is enhanced through implementing the correct servicing model. Customer accounts should be transitioned to either Client or Buyer accounts.

Client, Customer and Buyer characteristics may be prevalent within a single account. This requires multiple servicing models be employed within one team-based account management model.

Value, most specifically "economic value", is the most critical element of any account segmentation effort. Suppliers and their accounts are all measuring their efforts primarily on what "economic value" each is obtaining through their relationship. It is important that we detail and understand this new business driver.

RECOMMENDED SERVICING PRACTICES

Account Model	Recommended Servicing Practice
• Client	• In-depth, collaborative cross-functional teams partnering with extensive network of client contacts able to provide a breadth of services based on return on services investment.
• Customer	• Streamlined cross-functional team aligning with only select customer requirements and expectations, very services-cost sensitive based on long-term profitability projection.
• Buyer	• Customer service – e-servicing solutions, mostly indirect services and technology-based support due to current and projected levels of profitability.

Figure 1. Account Segmentation Worksheet

	Characteristics					
Benchmark	**Clients**	**Customers**	**Buyers**	**Degree of (1-5)**	**Trend (To/Away)**	**Openness to (1-5)**
1. Relationship Network	Valued / In Place	Indifferent	Non-existent			
2. Economic Value Delivered	Focal Point	Want for Minimal Cost	Price Only			
3. Mutual Profitability	Expected	Indifferent	Unacceptable			
4. Visions and Strategies	Integrated	Aligned	Individualized			
5. Collaboration	Joint Teams	Mini-teams	One-to-One			
6. Cost of Servicing	Mid-level	High	High			
7. Strategic Importance	High	Mid-level	Mid to low level			
8. Portfolio Profit Percentile	Top 20%	Top 20%-30%	30% +			
9. Long-Term Business	Excellent	Above Average	Average			
10. Depth of Dependence	Anchored	Linked	Available			

The New Business World Relationship Driver – Economic Value Proposition (EVP)

The era of social values, the three-martini lunch, tickets to ball games, golf outings and meetings filled with many hours of family chatter have all taken a second position to delivering EVP (an Economic Value Proposition).

It is recommended that a supplier collaborate with their account and reach agreement on the criteria for EVP delivered and the exact EVP formula that the account agrees applies to their business model.

Therefore, all account models (Clients, Customers and Buyers) now require their suppliers to deliver economic value. It is the responsibility of a supplier to develop an EVP process and model that their accounts accept and buy into for validation purposes.

EVP is the mechanism for maintaining Clients for the long term. EVP is the mechanism for transitioning Customers to Clients. And EVP is the mechanism for valuable differentiation within a commodity-buying arena. It is strongly recommended that teams support clients. The main premise for this account servicing practice is that only through diverse cross-functional teams can suppliers create, deliver and validate the necessary EVP to maintain and justify long-term client relationships.

How Does CRM Align with this New Approach?

Customer Relationship Management is the springboard for migrating to a more finite Account Relationship Servicing practice for the B-to-B marketplace. CRM embeds the culture, the systems and the processes to position an organization to become best-in-class at account relationship servicing. ARS is the next generation of CRM for B-to-B businesses.

ARS aligns the proper servicing practice to the account's business practice model, thus ensuring realistic and accurate long-term return on account investment, which results in profitability. Based on this "by unique account" segment-servicing model, organizations can now build service processes and teams that align with profit expectations and provide service according to profit expectations.

Dennis Chapman is President and CEO of The Chapman Group in Columbia, Maryland. You can contact Dennis at 410-381-7113 or dchapman@djchapman.com.