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STRATEGIC ACCOUNT MANAGEMENT ASSOCIATION

Integrating Science into the Strategic Account Management Process

By Dennis Chapman
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As businesses move into another era of the global economy – one driven by proven supplier ROI – measurements that provide immediate direction and correction are required. We have already adopted such metrics in various areas of our personal and business lives. One example is the business impact of Global Positioning Systems (GPS) in the transportation industry. Managers of fleets of trucks can change routes, drivers and even individual truck performance on a moment's notice based on dynamic data being received and analyzed by a central GPS system. They could turn a vehicle off if they thought it was going to be used for an inappropriate purpose (i.e., if there were a security issue, or if a driver was consistently breaking all of the local highway rules, putting himself, the company and others in harm's way).

In our personal lives we live and operate by metrics: the balance of carbohydrates, levels of cholesterol, fluctuations in interest rates and evaluation of a years-old and years-worked formula until retirement. These situations highlight how metrics – performance measurements against prescribed and recognized standards – solicit response and dictate action.

Metrics are the science side of strategic account management and will be the focus of this article. We will share approaches and insights into the following seven common questions about metrics and their application in strategic account management:

1. What's driving the use of metrics?
2. How can my organization begin to employ metrics?
3. Which metrics should we employ?
4. What will metrics do for our account and for us as a supplier? What will the ROI be?
5. Will my company be able to adopt and deploy metrics?
6. What challenges can we expect?
7. Are your current metrics working for you?

What's Driving The Use of Metrics?

Strategic account management has been going through a metamorphosis for the past 40 years.

THE FIRST ANSWER TO "WHY METRICS?" IS THAT IT IS NECESSARY TO INSTITUTIONALIZE EXCELLENCE THROUGH THE SHARING OF BEST PRACTICES ACROSS AN ENTIRE CROSS-FUNCTIONAL ACCOUNT TEAM.

This metamorphosis primarily began with the advent of two big technology players: IBM and Xerox. Many sales professionals and experts recognized these organizations as the epitome of sales excellence, primarily in the art of selling. Many other organizations, in different industries, at a very similar point in time, also recognized the importance of the art of selling. The sales world was, and continues to be, saturated with programs on selling excellence. During this evolution, two key contributors to the focus and development of strategic account management were born: the 80 / 20 rule and the cost-of-sale metric.

Wages increased during the '70s and '80s, and the overall cost of sale also increased. It became financially prudent to focus more valuable and often expensive resources on those accounts that represented significant present or future value, revenue and profitability. The goal was to optimize the ROI on sales expenditures and create an alignment of skilled resources to those 20% of accounts that represented 80% of the revenue (80 / 20 rule). Numerous versions of strategic account management programs were launched. Many were successful and many went unheralded. The basic ingredient for success was still primarily hinged on the expertise of the sales representative. The art of selling and individual excellence were driving the success of a strategic account management program.

It has now been recognized that strategic account management is a team process. Therefore, the first answer to "Why Metrics?" is that it is necessary to institutionalize excellence through the sharing of best practices across an entire cross-functional account team. *Metrics provide key calibrations to a cross-functional team on how to function, adapt and strategize. Metrics enable an organization to institutionalize excellence, implement and utilize best practices across the organization and deliver results!*

The business use of metrics was initiated with the advent of quality manufacturing. Quality manufacturing is the predecessor of "Six Sigma." What W. Edwards Deming (a leader and innovator in re-engineering the manufacturing process during the '70s), and subsequently quality programs, positively did for manufacturing, and now how "Six Sigma" is impacting process engineering, metrics can also do for strategic account management practices. *The second answer to "Why Metrics?" is that we live in a business world that understands, has experience with and has bought into the value and use of process measurements.*

The term "process measurement" is an important phrase in strategic account management. In general, there have been only four key indicators for the past 40 years to denote whether or not an account management process was effective, including:

- Increased account revenue;
- Increased account profitability;
- The addition of a new strategic account; and
- Reduced account attrition.

All four of these are positive outcomes; they are also "after-the-fact" quantitative sales outcomes, however, not predictors. In a global business world of escalating costs, reduced loyalty, competitive disadvantage and similar selling skills (art of selling), businesses need predictors. New metrics are the predictive measurements that provide immediate direction to adapt to change, ultimately leading to a competitive edge.

Metrics are predictors! They provide 24 x 7 indicators for change.

They are counter strategy tools to global competition, escalating costs, reduced loyalty and the neutralization of advanced selling skills—the art of solution selling and account management.

How Can My Organization Begin to Employ Metrics?

Probably more appropriately stated, "My organization needs to employ metrics in its strategic account management practice. What's the best way to make this happen?"

There are three recommended actions you may want to first take:

1. Determine what you currently measure;
2. Determine what your systems will allow you to measure; and
3. Determine what your accounts are expecting you to measure.

All organizations can employ metrics. They already do. Sales history, inventory, customer satisfaction results and seasonal trends are all examples of metrics used in today's businesses. It is recommended that organizations think more strategically about the future of their account relationships and the integrated value proposition between them and their accounts. *This thought process, often formalized in a think-tank, and a metric-oriented process workshop of cross-functional corporate team members, will be the first breakthrough to help determine what metrics can offer your organization.*

Which Metrics Should We Employ?

Experience has demonstrated that the most often required (and most valuable) metrics from a process workshop, in addition to traditional sales and financial data views, include predictable measurements around:

Category of Measurement	Best Practice Focus
1. Relationships	Penetration of Senior-level influencers
2. Account team performance	High-value activity management
3. Loyalty	Account retention
4. Opportunities	Improvement of close vs. opportunity ratios
5. Competition	Competitive counter-strategies
6. Economic value	Delivering ROI
7. Account scorecards	Alignment to account expectations

These seven business analysis metrics help predict the future! The following represent a snap-shot of each of these key metrics.

1. **Relationship Metric:** Assessing the situation surrounding relationships and account relationship penetration involves measuring primary indicators that include: management levels, alignment, influence, internal decision-making roles and degrees of trust and dependability.

2. **Account Team Performance Metric:** An ongoing metric that depicts account team performance includes assessing the following key indicators: accomplishment against tasks, sales, profitability, growth trends, activity performance, market indicators, serviceability cost and the account's own growth trends.

3. **Loyalty Metric:** Measuring loyalty should not be confused with measuring customer satisfaction. Customer satisfaction is an assessment of the account relationship based on a moment in time; loyalty is an ongoing assimilation of data that provides dynamic assessments of ongoing shifts in the account relationship.

There are significant differences in the contributing factors that measure satisfaction versus loyalty. While many of the same factors of account satisfaction may be part of a loyalty assessment, there are at least three important differences:

i. Emotional dependence;

ii. Business dependence; and

iii. Structural dependence.

Measurements around all three of these elements are key differentiators between satisfaction and loyalty assessment.

4. **Opportunity Metric:** Opportunities need to be quantitatively measured to assess the probability of winning. There are several key indicators that, if measured, accomplish the following:

   i. Eliminate forecasting issues, accuracy and timing;

   ii. Optimize team focus on key actions that lead to winning opportunities; and

   iii. Enable an organization to make more intelligent product and market decisions.

IN A GLOBAL BUSINESS WORLD OF ESCALATING COSTS, REDUCED LOYALTY, COMPETITIVE DISADVANTAGE AND SIMILAR SELLING SKILLS BUSINESSES NEED PREDICTORS.

Some of the most common measurements about an opportunity that dictate winning, and when winning will occur, include:

- Timing;
- Alignment of decision-makers and influencers;
- Competitive situation;
- Budgets;
- Buying cycle and history;
- Need / solution match; and
- ROI and value proposition.

5. **Competitive Metric:** Competition in a global world is more challenging than ever. It has recently been learned that in some situations competitive "knock-off" products have been designed, built and launched into the market within two weeks of the launch of a perceived product breakthrough. This can have significant implications for manufacturers.

Metrics that properly assess competitive advantage can add significant lifecycle value to new product launches, including metrics that assess dependence, business integration and EVA (economic value-add).

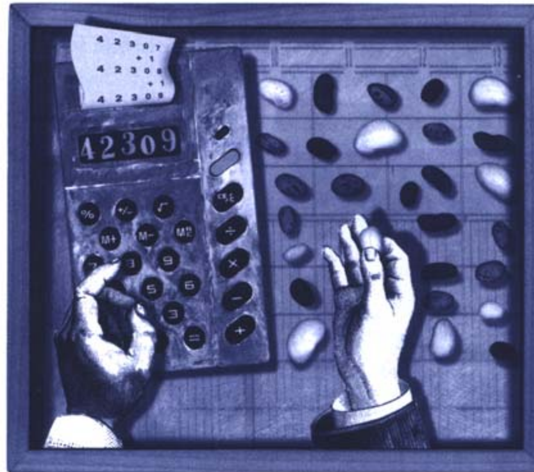
6. **Economic Value Metric:** Economic value is one of the most important metrics that organizations need to focus on and develop. In recent years, most suppliers have been challenged by buyers to communicate their economic value proposition, or in other words, what ROI they are providing to buyers for every dollar of spend. Determining economic value, or one's value proposition, is no easy task. It is a task that is expected to be accomplished, however. A recommended formula in determining the economic value quotient is:

Dollars spent for hard goods / services delivered	**X**
Dollars gained or risk cost avoided	**Y**
Example:	
$1,000 (Cost of goods / services delivered)	**$1,000**
$2,000 (Gained from a new process improvement)	**$2,000**
Economic Value Quotient = .5 (an ROI is positive if it is less than 1)	

The ideal outcome is when the outcome (X/Y) is < 1, which documents and validates that expenditures are less than the cost of expenditures, hence a favorable ROI. This should be a key focus for cross-functional strategic account teams as part of their ongoing performance measurement system. Creating, delivering and validating the accuracy of this calculation is an important expectation of today's account.

7. **Account Scorecard Metric:** One of the most common account buyer

practices of this new millennium is the practice of scorecarding suppliers according to the buyer's pre-set list of accountabilities. It is inevitable that most, if not all, suppliers will be held to this practice within the next two years. Buyers for industry giants like Wal-Mart, Lowe's and Home Depot have been employing this practice for years. While this has most often been a practice in consumer products, signs indicate that there will soon be a strong B2B scorecarding practice in place. In fact, scorecarding has already emerged in the B2B environment.



CONVENIENTLY, METRICS ARE A BY-PRODUCT OF THE NORMAL EXECUTION OF SALES BEST PRACTICES.

It is recommended that suppliers take the initiative and develop their own pre-defined set of metrics (benchmarks) that when assessed, provides a performance rating; i.e., a scorecard. One application of this is developing a Collaborative Work Plan (CWP) with the account, and embedding select metrics into the collaborative work plan as mutual accountabilities and responsibilities, often referred to as KPIs (Key Performance Indicators).

Experience and analysis show that the following represent some of the most common areas to scorecard:

- Service response;
- Issue resolution;
- Inventory control, availability and delivery metrics;
- Quality to performance specification, a Six Sigma approach;
- Cost performance ratios and ROI; and
- Performance pricing ratios and volume commitment programs.

These seven metrics are the most common being employed today. There may be many variations on the precise data within each metric based on the uniqueness of the organization, market, product, services and account portfolio. The take-away is that these metrics provide three important insights into one's business:

- Quantitative measurements of important business criteria;
- Forward decision-making capabilities and increased predictability of outcomes; and
- Simplicity (numbers tell simple tales that dictate action).

What Will Metrics Do for Our Account and for Us as a Supplier? What Will the ROI Be?

Metrics provide three important on-demand outcomes:

1. Simple and accessible measurements on the status of the relationship. From these measurements suppliers can build, optimize and connect their value proposition to those senior-level account influencers who are most interested in ROI;
2. Metrics facilitate the team's, and in some situations the account's, key next actions; and
3. Metrics coach the team in the absence of skilled and / or available coaching resources.

Metrics are also available on-demand 24 x 7. They are like the gauges in our car. Any time we view our gauges, they provide us intelligence about our speed, fuel and oil levels and distance traveled. Based on this data, we can take immediate and appropriate corrective action if required.

Will My Company Be Able to Adopt and Deploy Metrics?

If employed properly, tailored to the environment, driven by system controls and supported by application training, yes. To achieve this success, an organization must first explore what is already defined as its account management process, and assess what is currently intuitive, versus designated best practice, within the process.

Adopting metrics can be a relatively simple matter. *By definition, metrics are simple, numerical algorithms and calculations that are sales user-friendly.* They show facts (much like sales history) that upon a glance provide value, status and direction to the average sales professional. Conveniently, metrics are also a by-product of the normal execution of sales best practices. This is an important fact because, if employed properly, implementing account management metrics should not cause additional efforts. The challenge occurs when an organization has not yet institutionalized best practices (but this is also a significant opportunity for the organization to improve though the use of metrics!).

Much like the very popular practices of Six Sigma, strategic account management metrics are also an input and output process. The account team and account generate the input, the metric provides an output and the output requires an associated strategy with action plan.

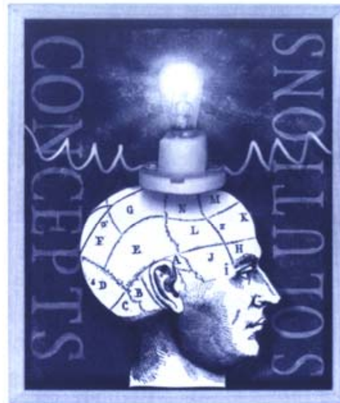
What Challenges Can We Expect?

Experience has proven that there are at least five key challenges that organizations can expect to face when introducing metrics into their strategic account management practice. These include:

1. **Access to, and availability of, data:** Some corporate systems are not yet integrated enough to allow for some of the necessary data required for analysis.
2. **Buy-in from all members of the organization, top-to-bottom:** Many business leaders are very familiar with traditional skills and practices in account management. Use of metrics is a break-through strategy. Acceptance and buy-in may take some internal selling.
3. **Alignment of metrics to an organization's own unique culture, business and account portfolio:** The eventual content for measurements will need to be adapted. This will take some effort, and a company should solicit some outside expertise.
4. **Funding of the efforts required to enter this new era of metrics:** Most metrics may need to be customized and integrated into existing technology platforms. Once integrated, they will need to be deployed and users will require training. These efforts take time and money and may not always have been planned in the existing budget.
5. **Utilization:** In a hectic, reactive work environment, many companies revert to the previous practices that they are most comfortable with. Staying the course of positive and valuable changes using new metrics is not always easy.

Are Your Current Metrics Working for You?

Answer the following assessment to help determine if your metric strategy is successfully supplying you with the data



METRICS SERVE AS AN INDIVIDUAL SAM COACH.

you need, or if there are gaps in your metric strategy.

Assessment: Yes (Y) / No (N)

1. Do you know which strategic accounts are loyal to you?

   ____

2. Do your strategic account teams know their direction for action?

   ____

3. Do you always know if or when you will lose significant revenue from a strategic account?

   ____

4. Do you have measurements, besides sales, that indicate if your account team is effective?

   ____

5. Do your strategic accounts provide you monthly performance scorecards?

   ____

6. Do you know enough senior-level influencers in your strategic accounts?

   ____

7. Do you currently have documented economic value propositions?

   ____

8. Is the forecasting of opportunities within a 10% level of accuracy?

   ____

9. Can you predict which accounts will be in your top 25 next year?

   ____

10. Do your account team and the account collaborate on a defined performance rating?

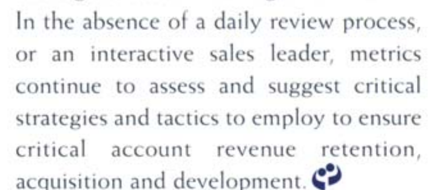
   ____

If you answered NO to six or more of these questions then it is time to re-think and re-work your metric strategy. Remember that the proper metrics will provide you with the facts and direction to optimize your strategic account portfolio.

7 Tips for Implementing Metrics

1. Conduct process workshops to analyze your process needs;
2. Identify three key metrics for your business besides sales results;
3. Meet with an account and ask what it would want you to measure and improve;
4. If in doubt, solicit the help of an outside resource (experience in metrics is a must);
5. Ensure that you have the top-down support in your organization for this initiative;
6. Select a short list of immediate wins; and
7. Have patience; significant returns on investments take time.

One final and very important thought: metrics serve as an invisible strategic account management coach. In the absence of a daily review process, or an interactive sales leader, metrics continue to assess and suggest critical strategies and tactics to employ to ensure critical account revenue retention, acquisition and development.



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METRIC-BASED STRATEGIC ACCOUNT MANAGEMENT

IF YOU CAN'T MEASURE IT...

...YOU CAN'T MANAGE IT

Help Your Account Management Program Standout from the Usual Suspects!

For more than 16 years The Chapman Group has been providing integrated sales solutions to Fortune 1000 companies. Our integrated approach involving the use of strategy, training, and software has provided some of the world's largest sales forces with the expertise to manage complex sales opportunities, develop strong relationships, streamline processes, shorten sales cycles, and most importantly, deliver real value to their clients.

The Chapman Group's metric-based approach will help you and your account team

- ✔ **Measure:**
  1. **Account Relationships**
  2. **Account Team Effectiveness**
  3. **Quality of Opportunity Funnels**
  4. **High-Value Activities**
  5. **Account Loyalty and Risk of Attrition**
- ✔ **Increase profitable revenue streams from existing accounts**

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