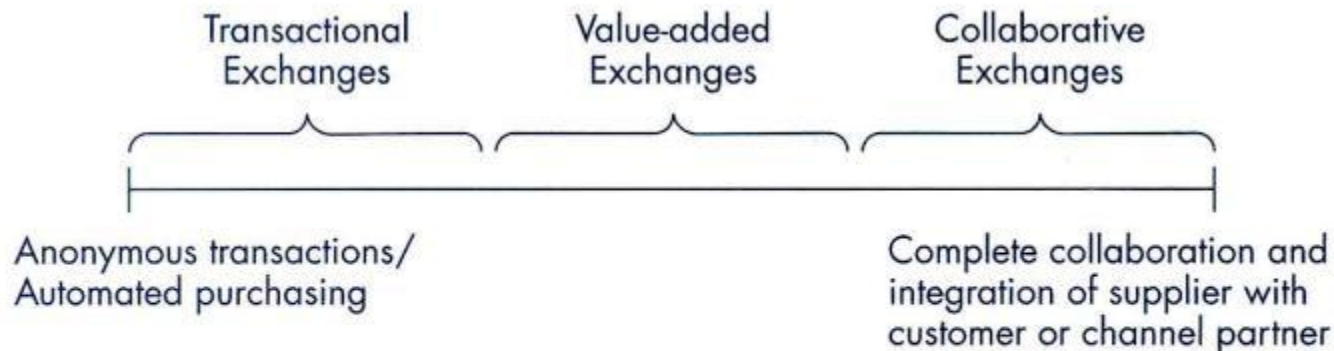


Types of Relationships

- The buyer seller relationships are positioned on a continuum with transactional exchange and collaborative exchange serving as the end points.

The Relationship Spectrum



Reprinted with permission from George S. Day, "Managing Market Relationships," *Journal of the Academy of Marketing Science* 28 (winter 2000), p. 25. Copyright © 2000, Sage Publications.



Transactional Exchange

- Centers on timely exchange of basic products for highly competitive market prices.

**When would you, as a buyer,
prefer a transactional exchange?**



Collaborative Exchange

- Features close information, social, and operational linkages, as well as mutual commitments.

When would you, as a buyer, prefer a collaborative exchange?



Strategy Guidelines

1. Determine which type of relationship matches the purchasing situation and supply-market conditions for a particular customer.

2. Develop a strategy that is appropriate for each strategy type.

Managing a Portfolio of Relationships

- Mix of relationships based on customers.
- Collaborative Customers – build relationships with trust and commitment.
- Transactional Customers – focus efforts on purchasing staff and offer attractive benefits.



The Characteristics of High- versus Low-Cost-to-Serve Customers

High-Cost-to-Serve Customers

Order custom products

Order small quantities

Unpredictable order arrivals

Customized delivery

Frequent changes in delivery requirements

Manual processing

Large amounts of presales support
(i.e., marketing, technical, and sales resources)

Large amounts of postsales support
(i.e., installation, training, warranty, field service)

Require company to hold inventory

Pay slowly (i.e., high accounts receivable)

Low-Cost-to-Serve Customers

Order standard products

Order large quantities

Predictable order arrivals

Standard delivery

No changes in delivery requirements

Electronic processing (EDI)
(i.e., zero defects)

Little to no presales support
(i.e., standard pricing and ordering)

No postsales support

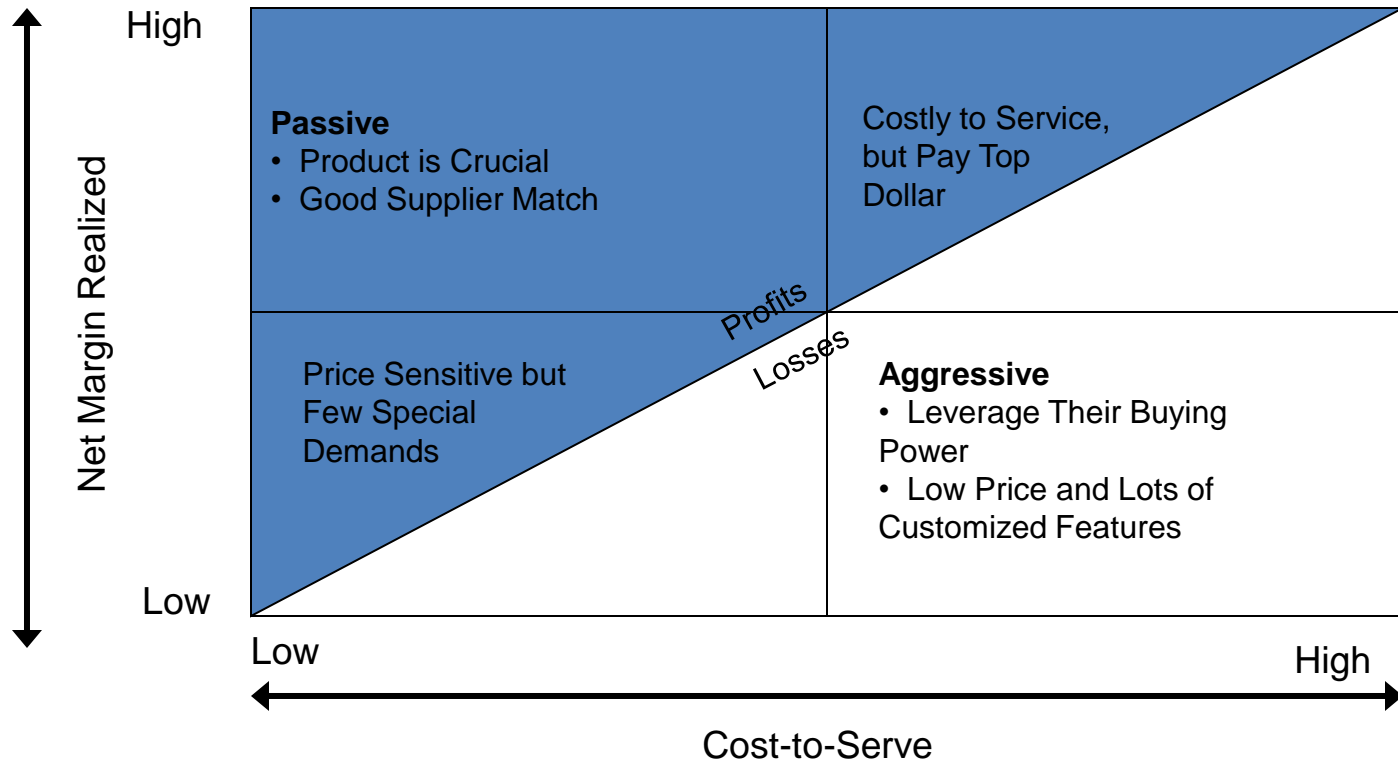
Replenish as produced

Pay on time

Source: Robert S. Kaplan and V.G. Narayanan, "Measuring and Managing Customer Profitability," *Journal of Cost Management* 15, No. 5 (September/October 2001): p. 8.



Customer Profitability



SOURCE: From "Manage Customers for Profits (Not Just Sales)" by B.P. Shapiro et al., September-October 1987, p. 104, *Harvard Business Review*.



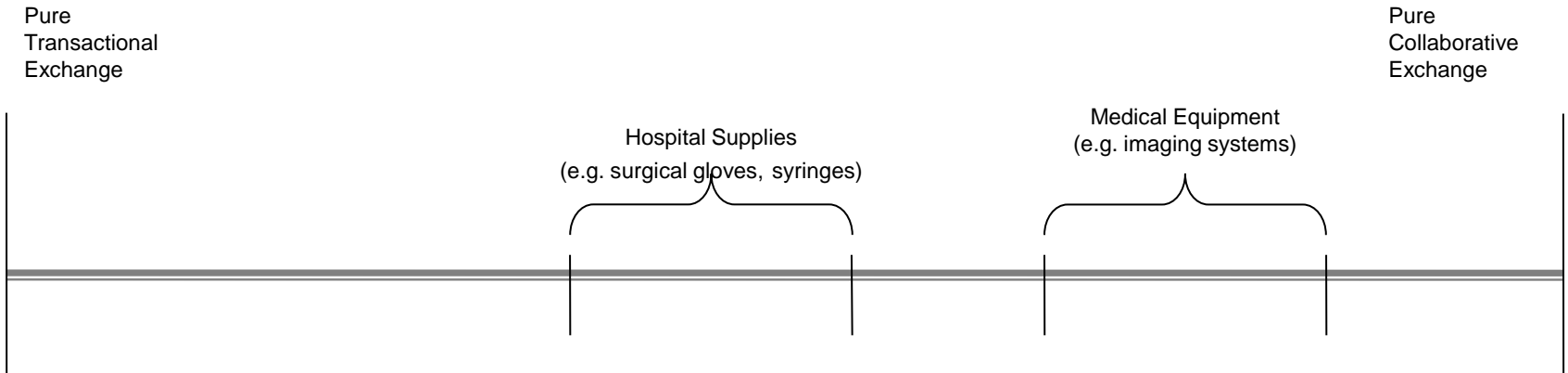
Customer Relationship Management

- A Continuing Dialogue with Customers,
- Across all their Contact and Access Points, with
- Personalized Treatment of the Most Valuable Customers,
- To Ensure Customer Retention and Effectiveness of Marketing Initiatives.

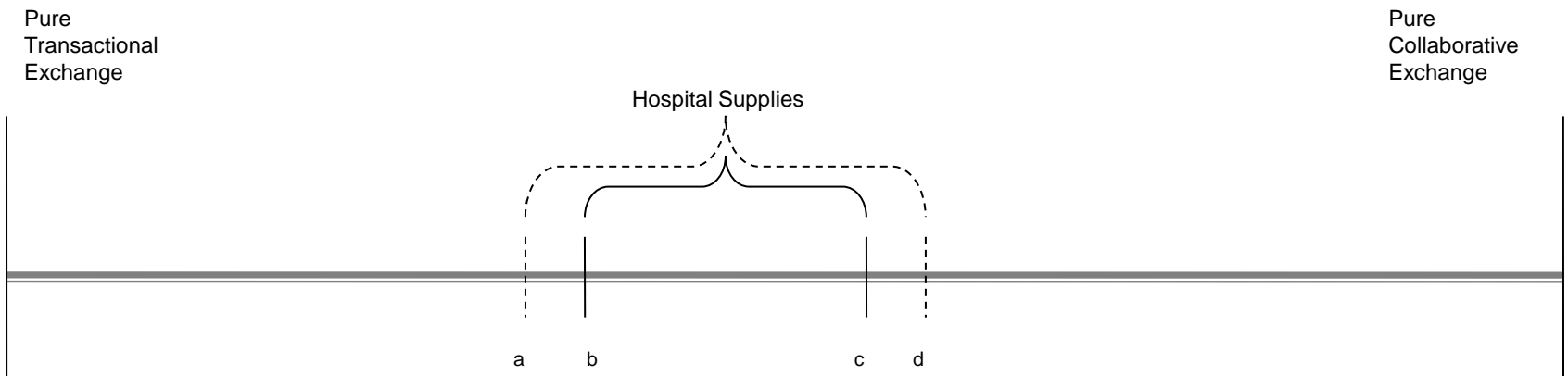


Transactional and Collaborative Working Relationships

(a) Industry Relationship Bandwidths



(b) “Flaring Out” from the Industry Bandwidth



SOURCE: Adapted from James C. Anderson and James A. Narus, “Partnering as a Focused Marketing Strategy,” California Management Review 33 (spring 1991) p. 97. Copyright © by the Regents of the University of California. Reprinted by permission of the Regents.

Learning to Retain Customers

- Provide superior value to ensure high satisfaction.
- Nurture trust and mutual commitment.



Inter-Firm Relationships and Networks

Traditional views of supplier-buyer relationships are inadequate:

- Business marketing is based solely upon influencing organizational buying behaviour.
- It assumes that the marketer is active while the customer is relatively passive
- Marketers market and customers purchase = conflict of interest



Inter-Firm Relationships and Networks

- As well as an understanding of the behaviour of the buying company, business marketers also have to understand the *relationship* between the buying company and the selling company.
- Relationships are two-sided; treating customers as passive recipients of the attentions of the marketer is a naïve view of business marketing and inherently flawed.

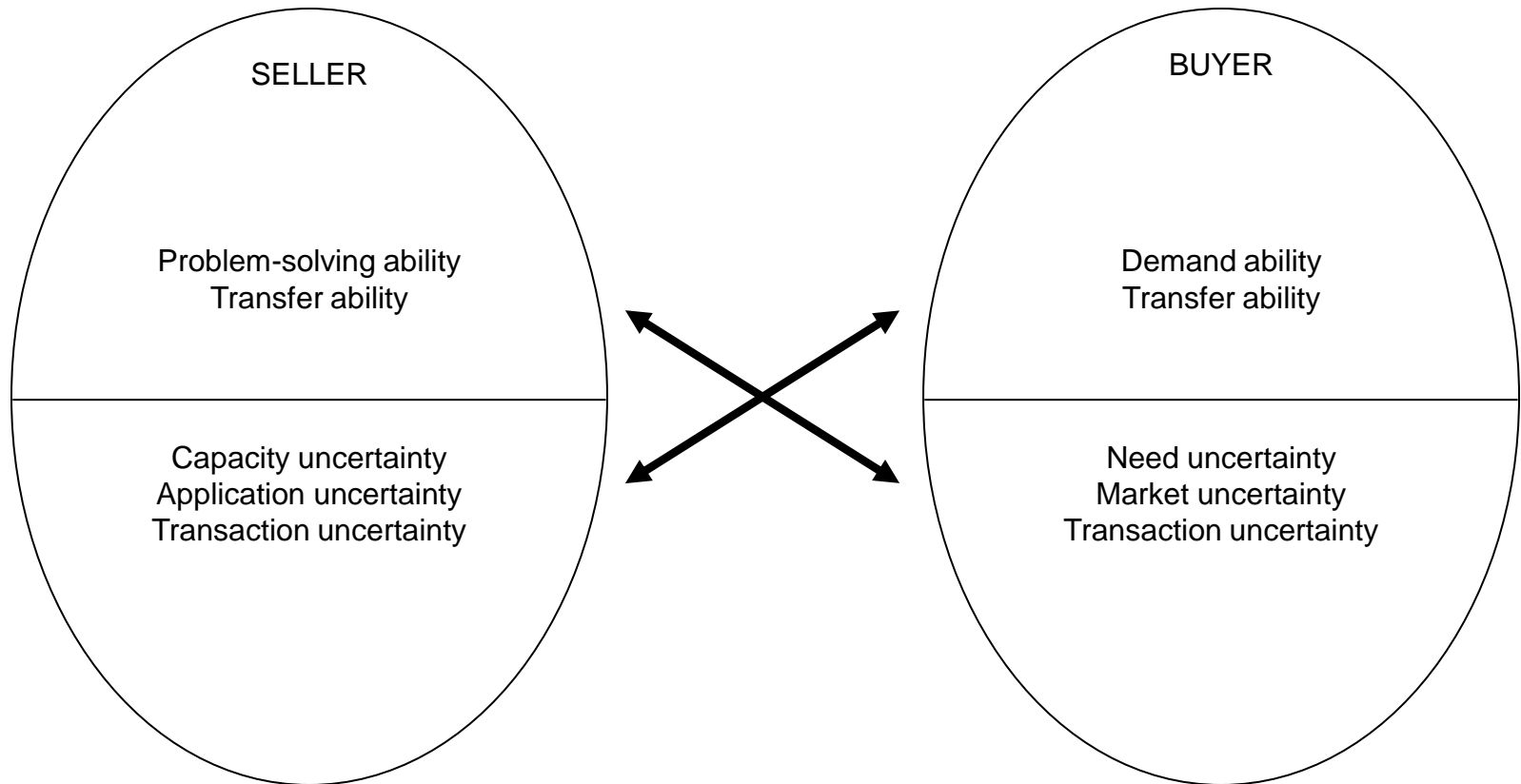


Research finds that in B2B ...

- Customers are often as active as suppliers
- Economic wellbeing of both parties depends substantially upon the relationship:
 - The weighted average of a relationship where there is technical development is 13 years, with 70% over 5 years and 29% for more than 15 years (Hakansson 1982)
 - Of the top 17 suppliers to automotive industry (33% of purchase cost), only 2 have been supplying less than 5 years, but 10 for more than 15



Supplier abilities can reduce customer uncertainties Customer abilities can reduce supplier uncertainties



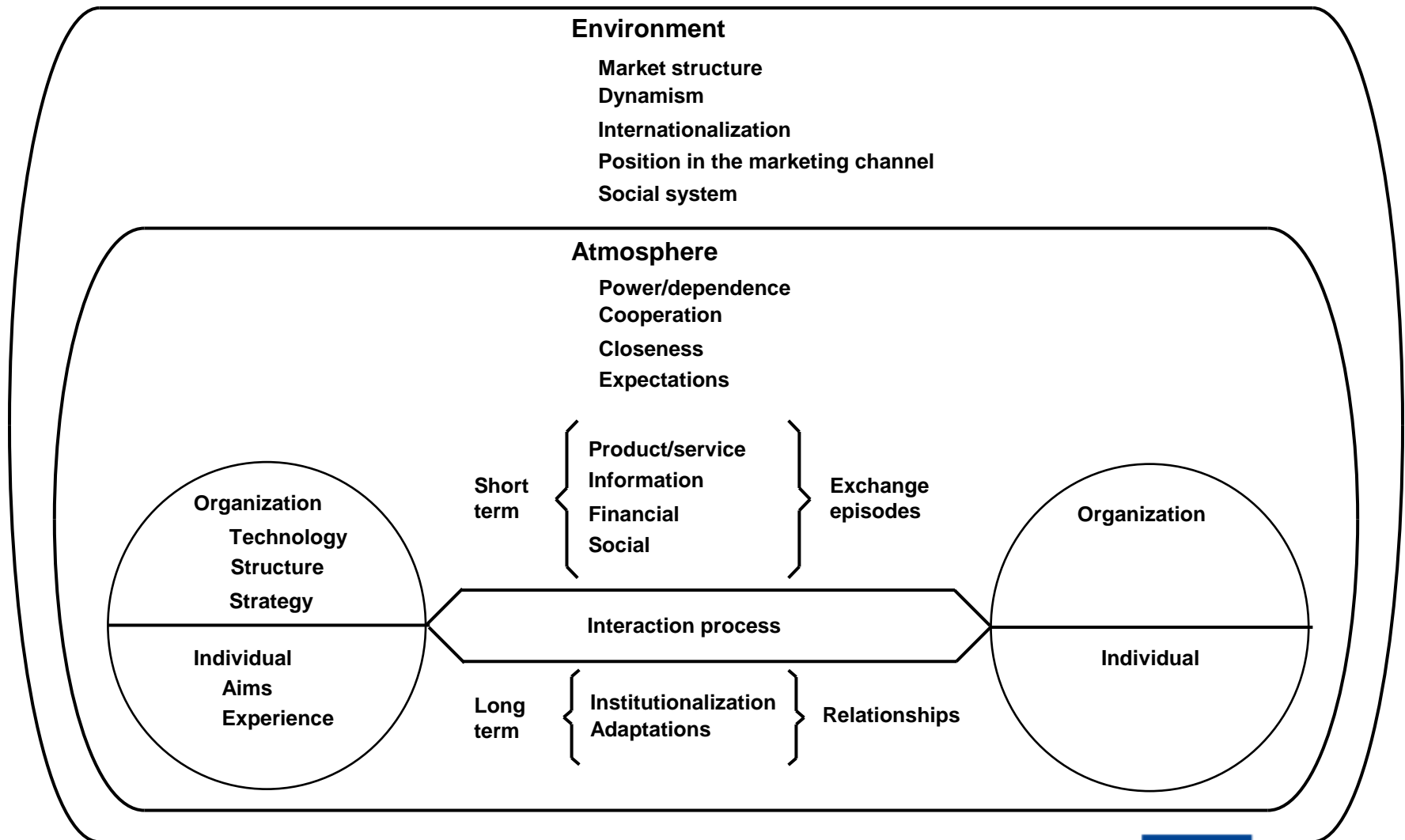
(Source: Ford et al., 1998:18)

Relationships

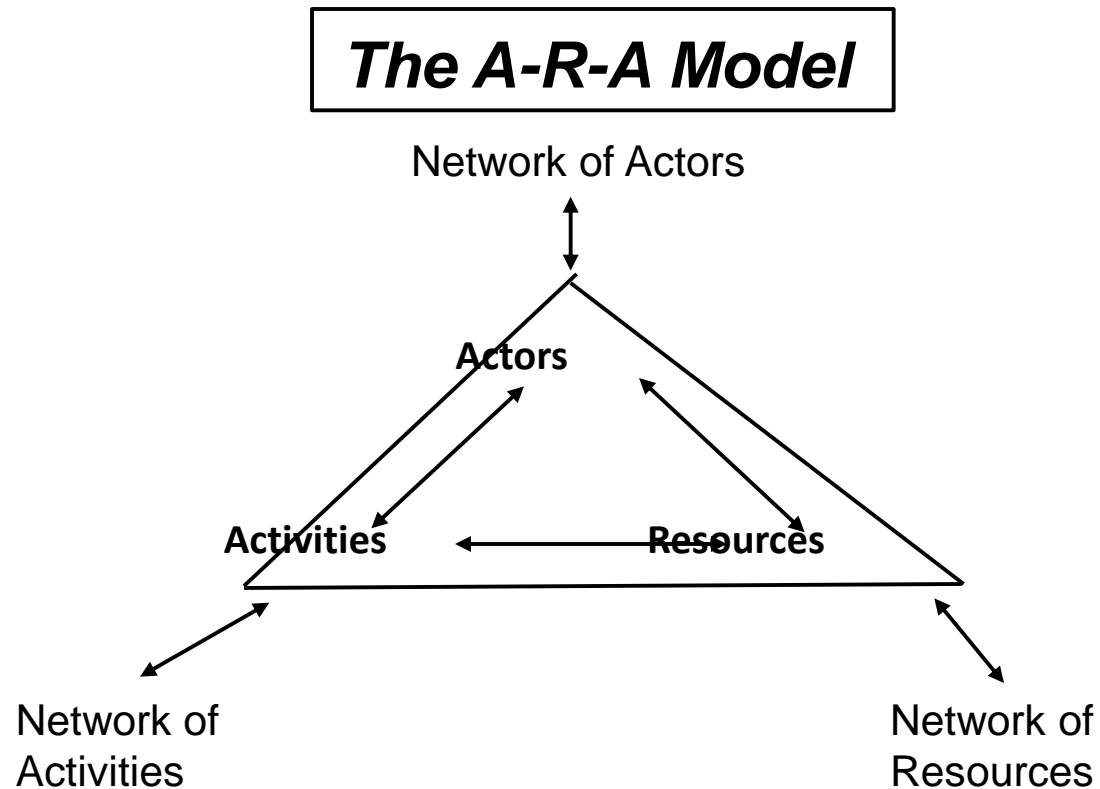
- Interaction episodes create a relationship with history.
- Each new episode adds to the history such that a relationship assumes an essence that is more than an individual episode.
- As relationship unfolds, partners make adaptations that constitute irretrievable investments unique to that relationship.



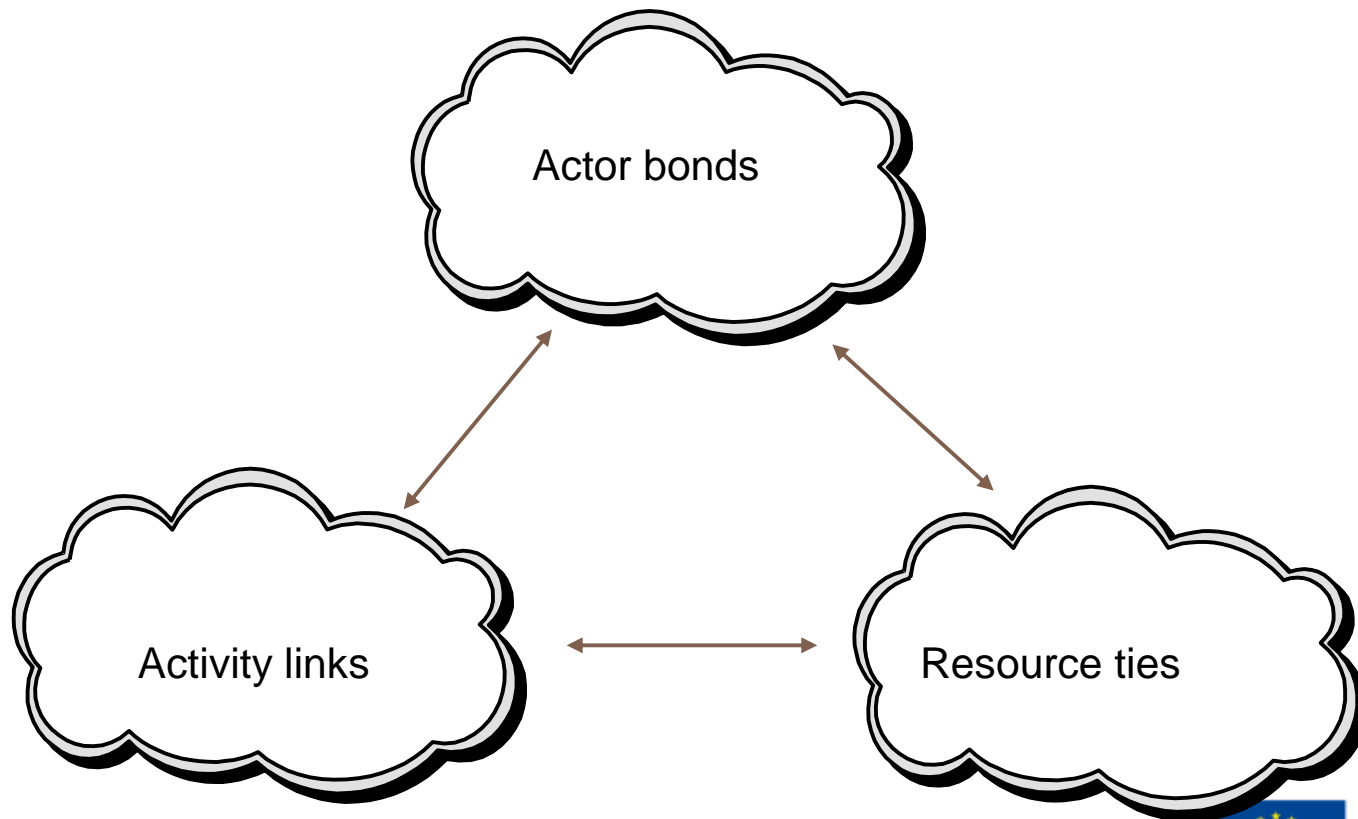
The IMP Group interaction model of business-to-business marketing
(Reproduced from Håkansson, 1982:24)



From Relationships to Networks



A-R-A Model



A-R-A Model

‘Actors carry out activities and activate resources.

Activities are resource-consuming and evolve as the capabilities of actors develop.

Resources limit the range of activities an actor can pursue.

The existence of bonds between actors is a prerequisite for them to actively and consciously develop strong activity links and resource ties.

Activity links make it likely that bonds can develop ...’

Håkansson and Snehota (1995), *Developing Relationships in Business Networks*,
International Thompson Business Press



Influencing the relationship

- Any ability a marketer has to influence the buyer depends on the nature of the relationship between the two parties and so must involve a clear understanding of what is possible within the relationship.
- This means that rather than being solely preoccupied with the buying centre, the marketer must analyze the relationship at large.



Influencing the relationship

- **A variety of theoretical viewpoints can be drawn upon to understand a relationship:**
 - it doesn't matter which perspective the marketer draws from so long as by doing so a clear understanding of what is happening in the relationship is derived.
 - decisions about the future of a relationship can only come about from such an understanding.
- **The business marketer strives for deep understanding of the current state of the relationship, of its likely future development, and of the process of value creation within the relationship.**



Meerkats cooperating in watching out for predators

(source: [wikimedia.org/wikipedia/commons](https://commons.wikimedia.org/wiki/File:Meerkats_in_the_Kalahari.jpg))



The cleaner fish

(*Epinephelus tukula* is cleaned by two *Labroides dimidiatus*)

(source: <http://en.wikipedia.org>)



Tug of war, at Pushkar Fair, Rajasthan

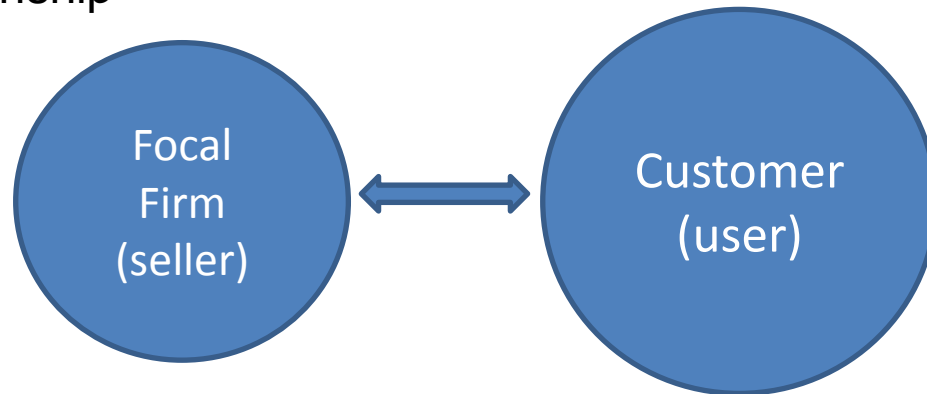
(source: commons.wikimedia.org)



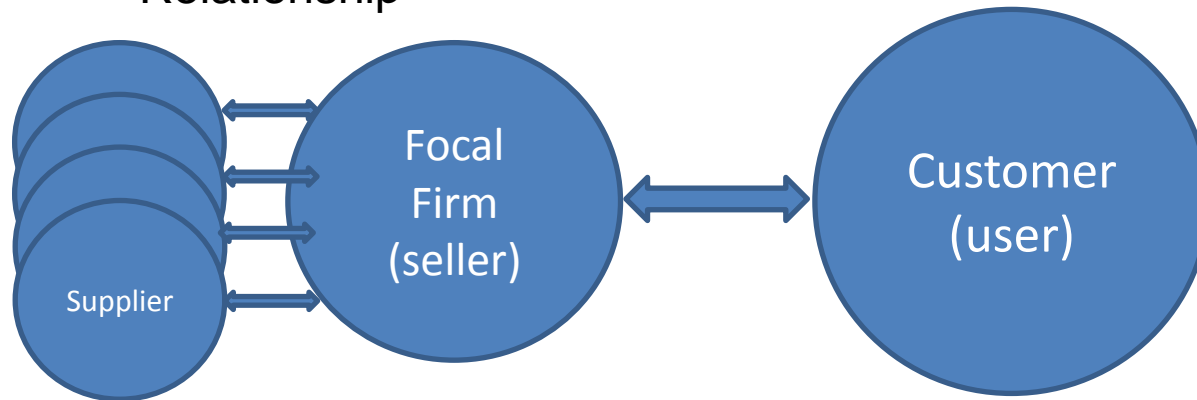
Star Alliance – competitors working in a collaborative network



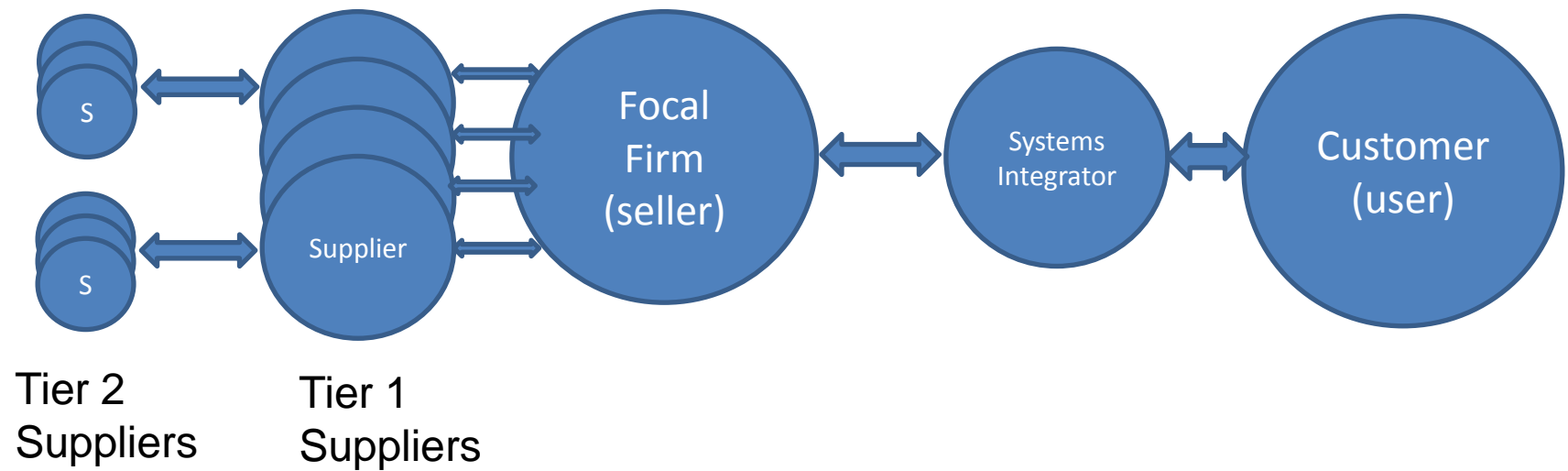
Dyadic view of business relationship



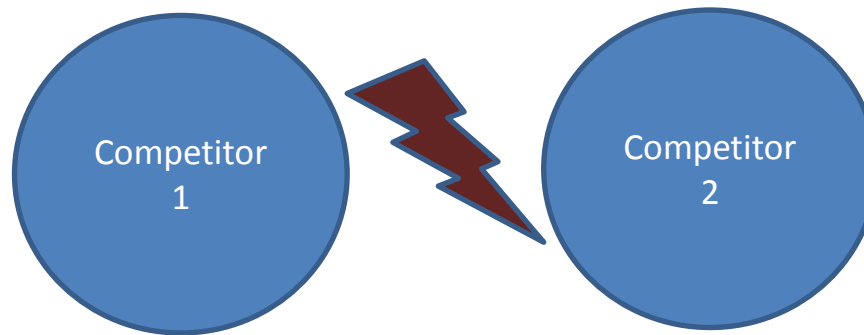
Supply Chain View of Business Relationship



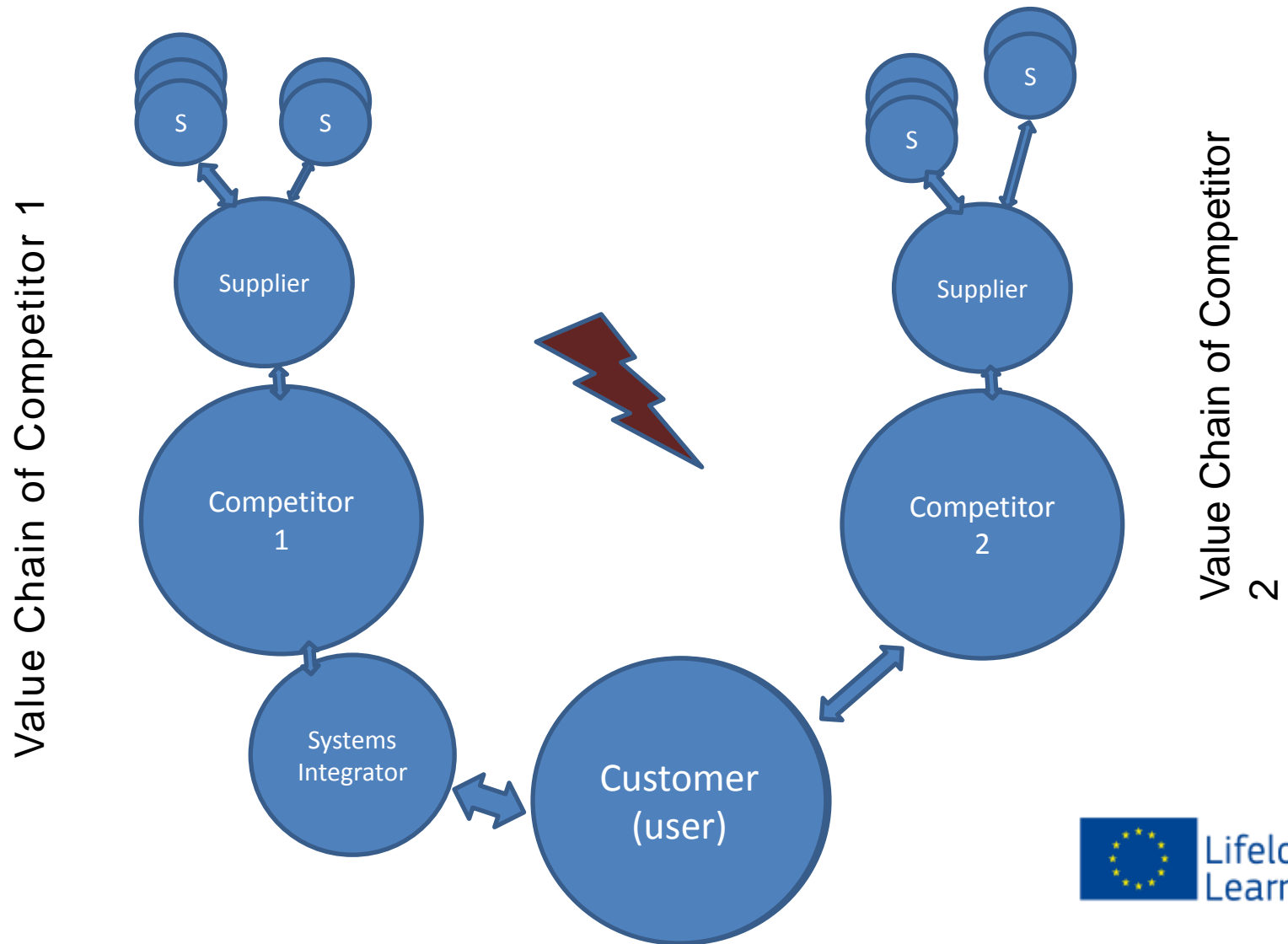
Extended Value Chain View of Business Relationship



Traditional View of Competition



Extended Value Chain View of Competition



ACstyria: Autocluster Styria

- Cluster Initiative started in 1995
- Key Facts:
 - 180 partner companies
 - 40,000 jobs
 - 10 billion € turnover

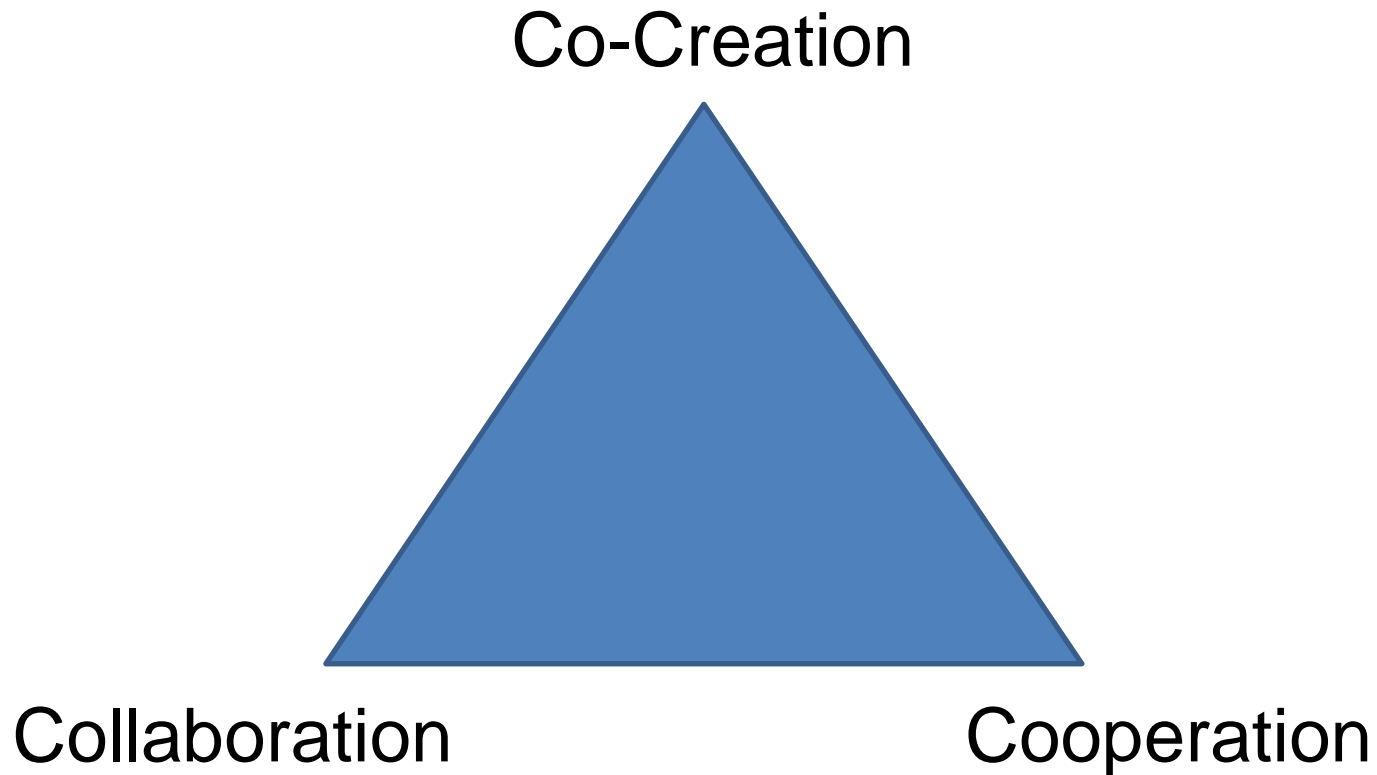


Strength through Synergy

ACstyria – a network with 180 partners



3C Model of Network Theory



Could you define what KAM is (and does it matter) ?

- Many firms perform additional activities and/or designate special personnel directed at the organisations most important customers. Is it KAM?
- If you a) acknowledge that some firms are more important than others to your business and b) you provide additional activities or designate special personnel towards these customers (accounts), then you have KAM.



*“Your relationship with your customer
doesn’t help you sell your competitive
advantage –
it is your competitive advantage.”*

- Lisa Napolitano, “Successful Global Account Management”



Traditional vs. KAM approach to marketing

Traditional

- Product management
- Competition
- Markets
- Generic strategies
- The 4 P's approach

KAM

- Relationship management
- Cooperation
- Individual Customers
- Bespoke strategies
- Customer centric approach



Pleasing the customer

<i>Symptoms</i>	<i>Challenge</i>
Customers more demanding and more knowledgeable	Quality and traceability favour supply chain partnerships
Purchase behaviour strategic rather than tactical	A strategic and sympathetic approach to selling is required
Concentration of buying power	Selling companies need to add more value to succeed
Higher expectations	A greater investment and closer relation to the customer is required
Customer identity and role more complex	Need to better manage the complexities of multiple market channels

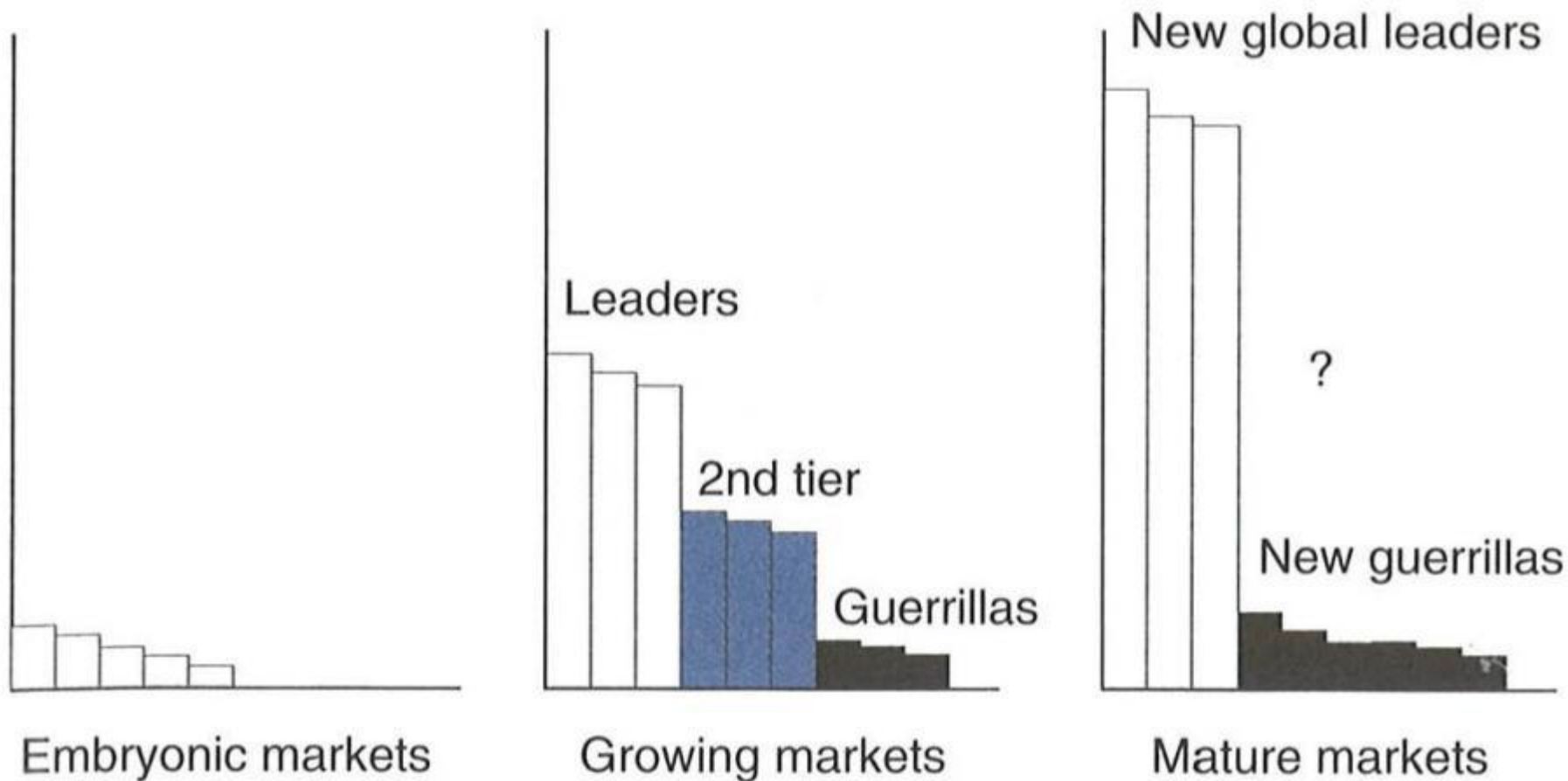


Impact of globalization

<i>Symptoms</i>	<i>Challenge</i>
Industry players undifferentiated	Restructuring to achieve wider scope (restructuring of domestic operations to compete internationally)
Greater and stronger competition	Customer retention more vital than ever
Lower margins	Greater pressure for cost reduction and quality improvement
Greater customer choice	Need to customize offers
Larger and more complex markets	Need to become customer-focused in larger and more disparate markets



Evolution of market maturity

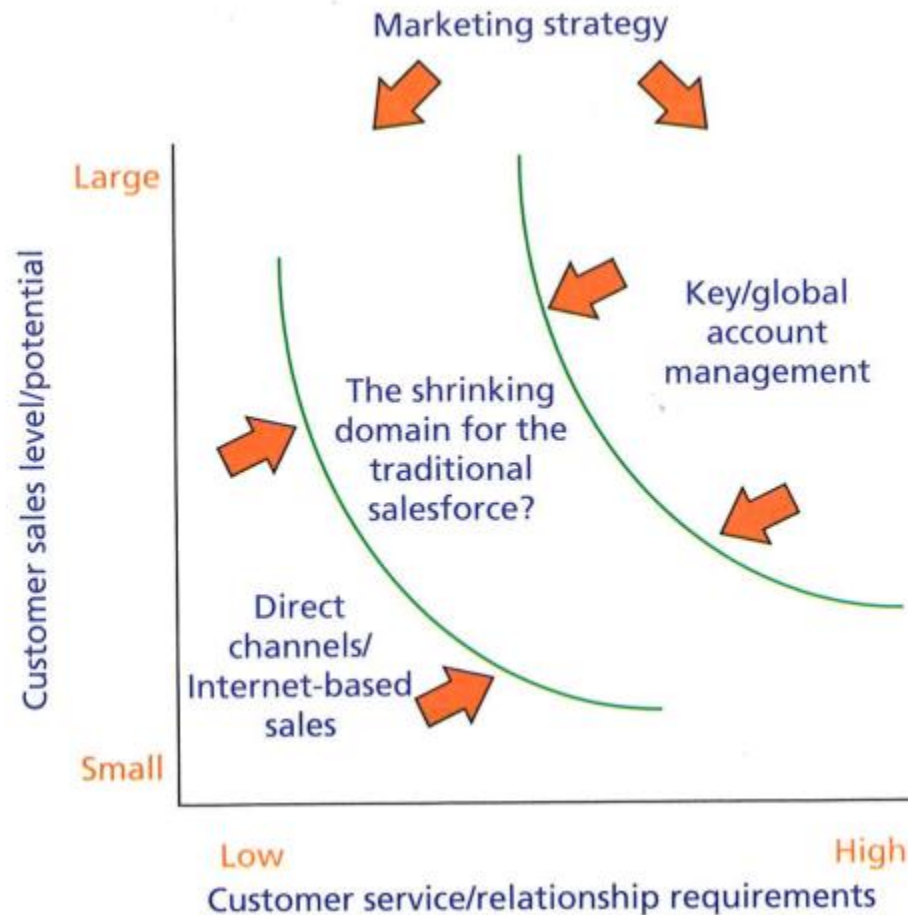


Increasing complexity of key account relationships

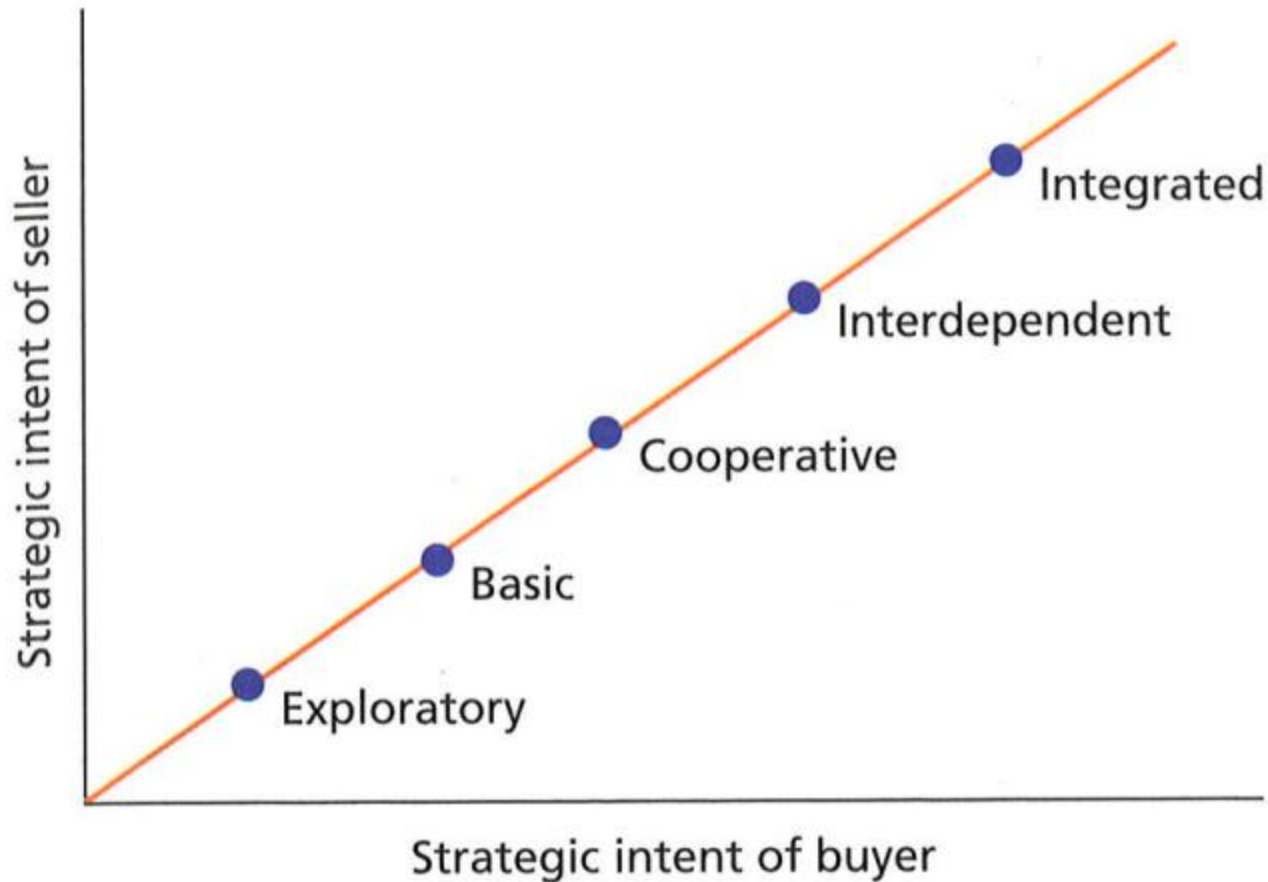
- Consolidation of customer into large, multidivisional companies
- Dual role: customer as competitor and client
- Global customers require global supply
- Accelerating pace of change, particularly in IT
- Emphasis on strategic alliances as fast, flexible but less clear-cut approach to growth



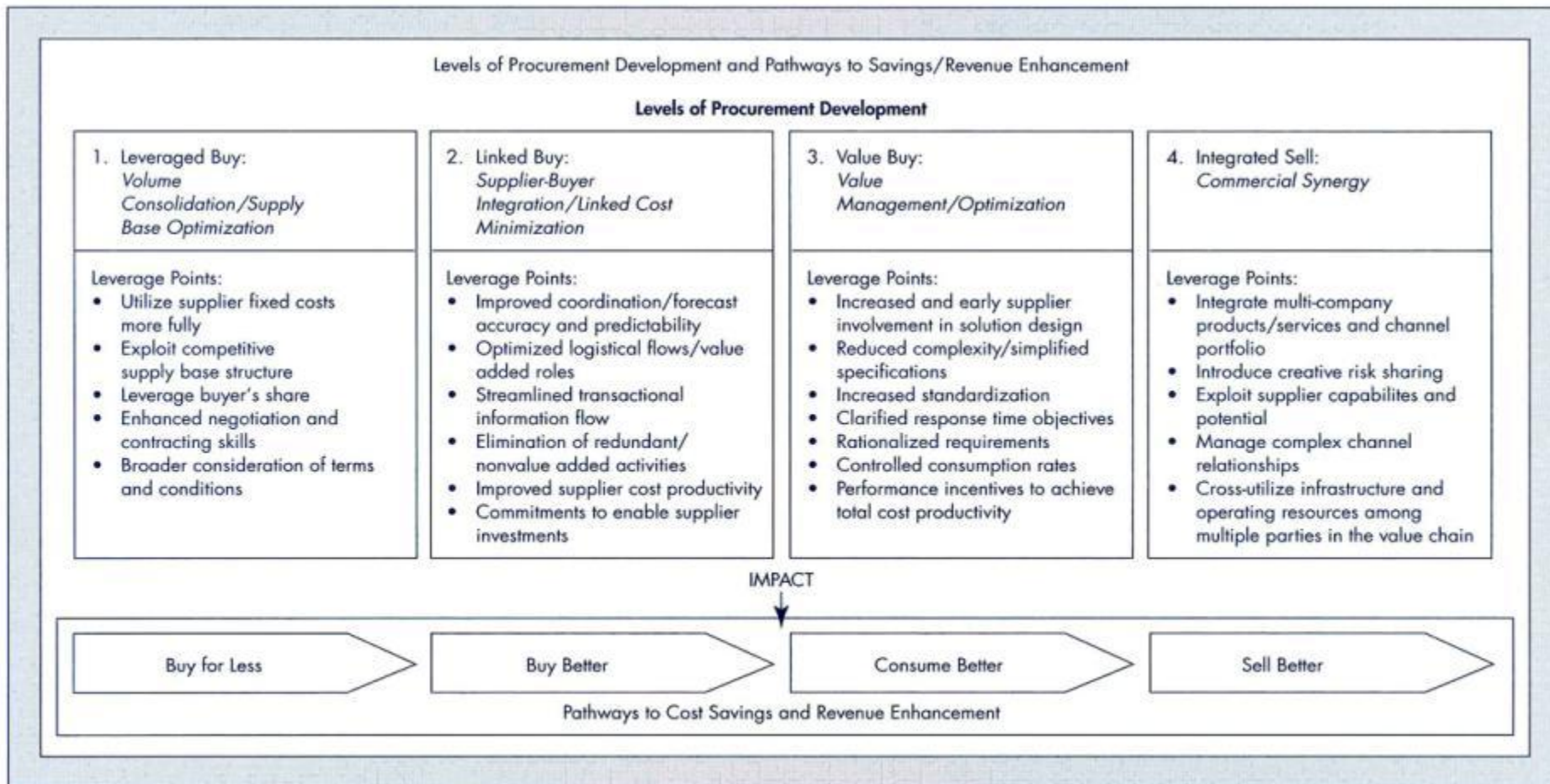
Key Account Management



Key Account Management



Levels of Procurement Development and Pathways to Savings/Revenue Enhancement



SOURCE: Reprinted from Matthew G. Anderson and Paul B. Katz, "Strategic Sourcing," *The International Journal of Logistics Management*, 9, no. 1 (1998), p. 4, Figure 3. Website at www.ijlm.org.



Exploratory KAM

Selling company

Directors
Managers
Supervisors
Clerks
Operators

Key account
manager



Key customer
contact

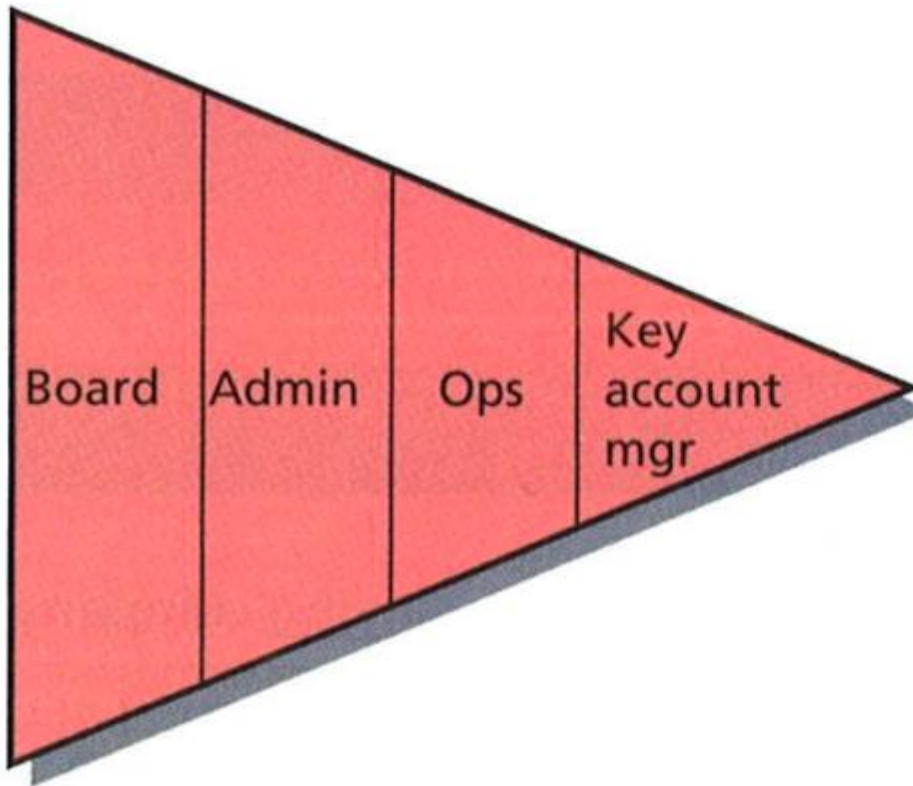
Buying company

Directors
Managers
Supervisors
Clerks
Operators

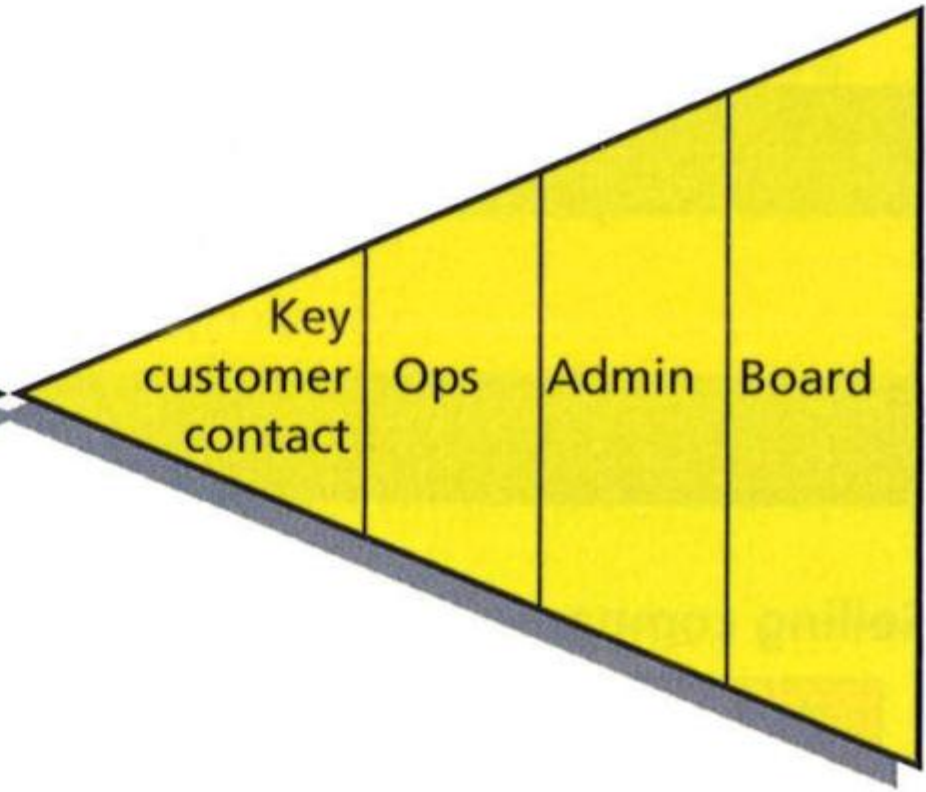
- Pre-trading
- Customer potentially qualifies as key account
- Both sides exploring
- Signalling important
- Seller needs to be patient and prepared to invest
- Reputations critical

Basic KAM

Selling company



Buying company

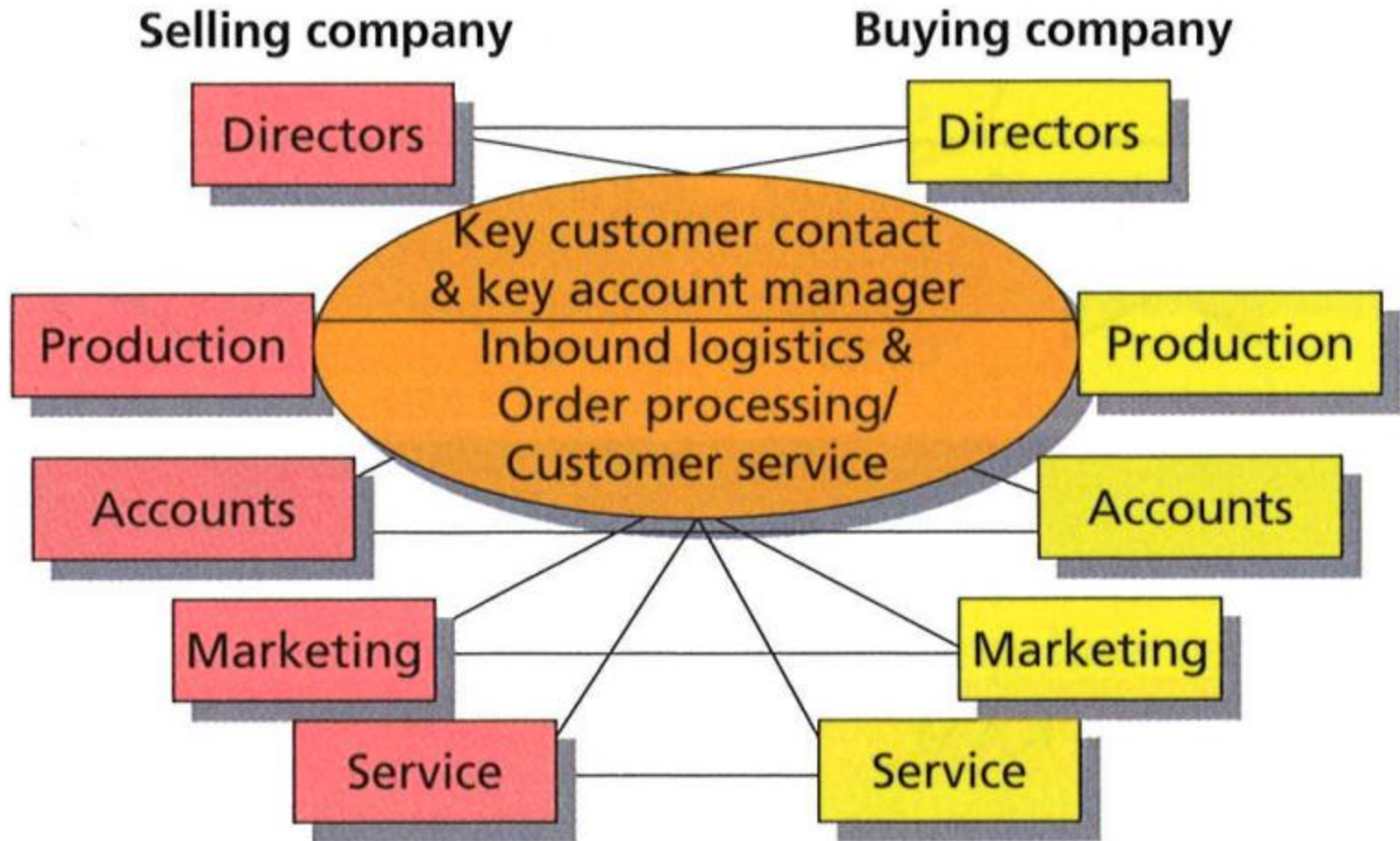


Basic KAM

- Transactional: emphasis on efficiency
- Driven by price, success measured by price
- Probably multisourcing
- Easy to exit
- Single point of contact
- Business relationship only
- Very little information sharing
- Reactive rather than proactive
- Probably low common interest
- Organization suits selling company
- Reward structure of key accounts managers paramount
- Small chance of growing business
- Can be stable state or trial stage



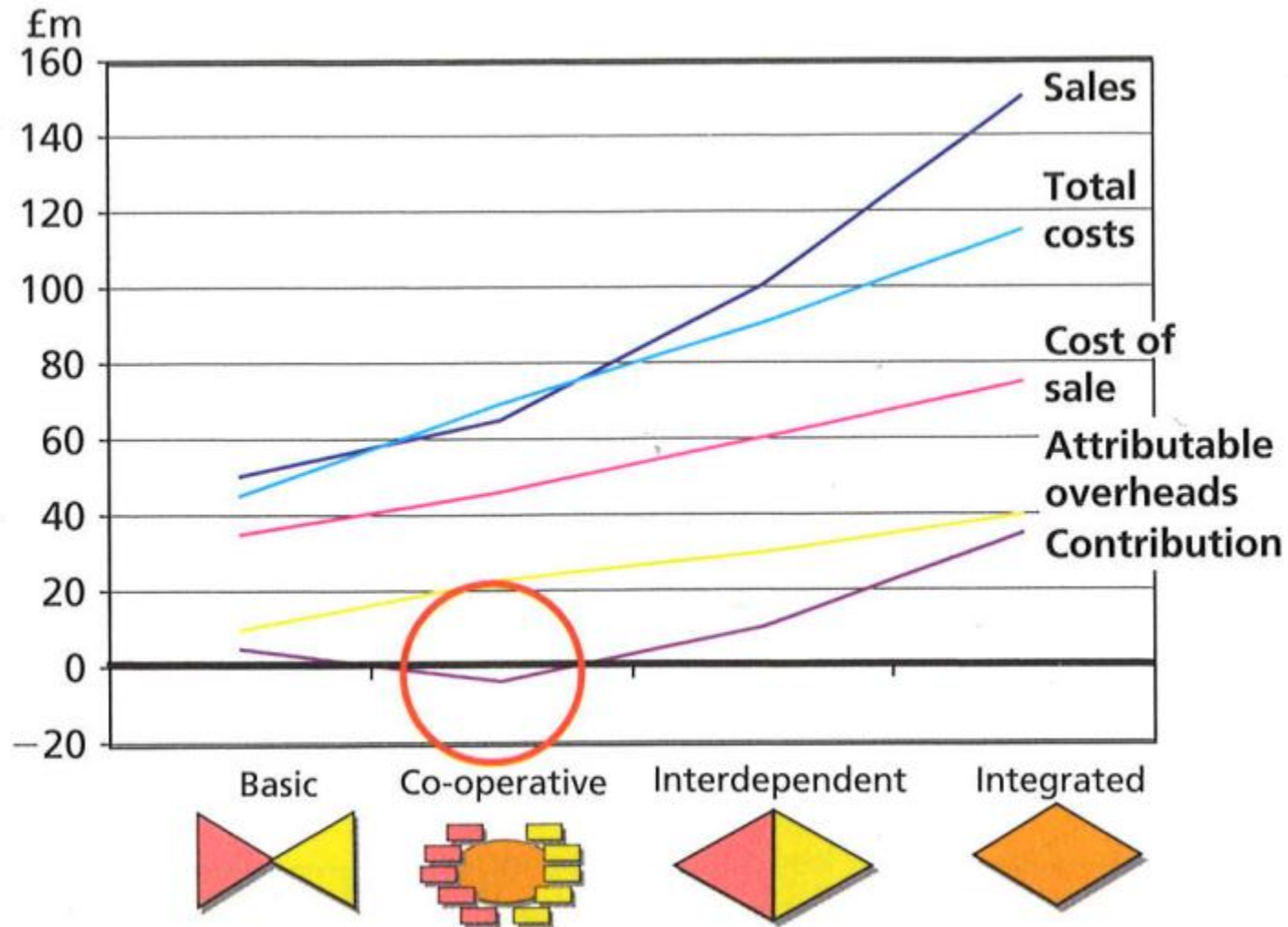
Cooperative KAM



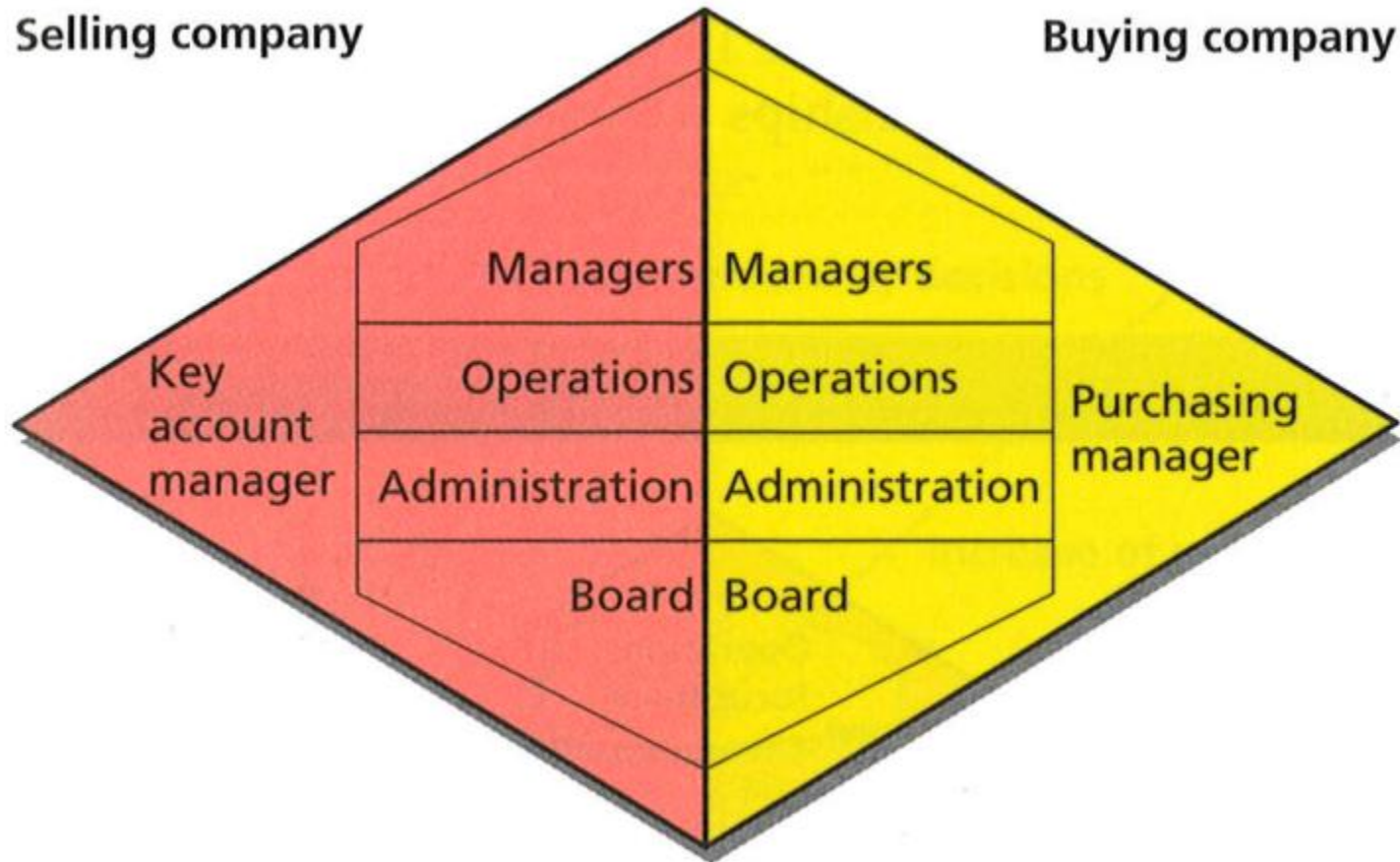
Cooperative KAM

- Selling company adds value to relationship
- Based on assumption/experience of delivery performance
- May be preferred supplier
- Exit not particularly difficult
- Multifunction contacts
- Relationship power still mainly with buyer
- Organization mainly standard
- Limited visits to customer
- Limited information sharing
- Forecasting rather than joint strategic planning
- Not really trusted by customer

Relationships and profitability



Interdependent KAM

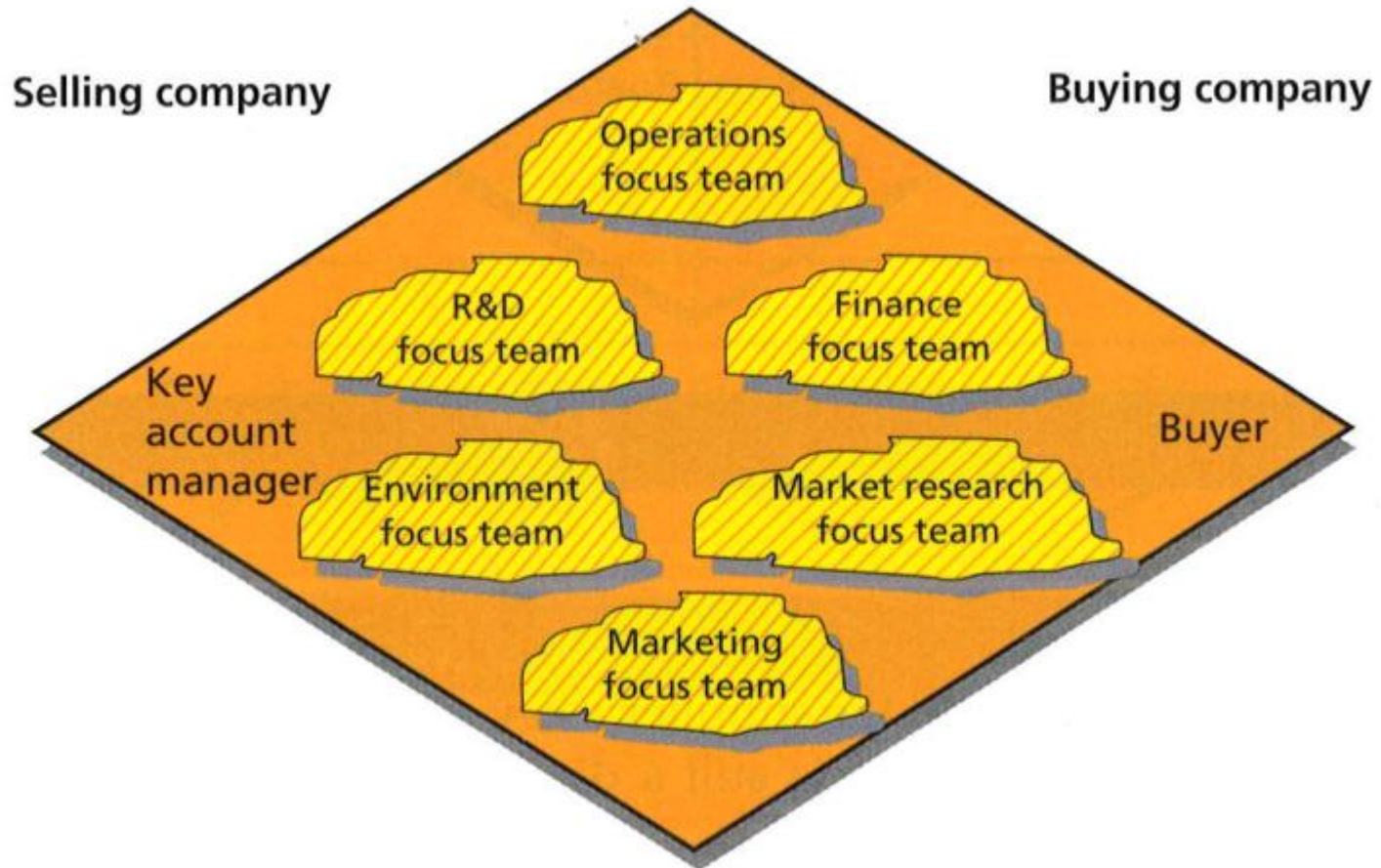


Interdependent KAM

- Both acknowledge importance to each other
- Principal or sole supplier
- Exit more difficult
- Larger number of multifunctional contacts
- Developing social relationships
- High volume of dialogue
- Streamlined processes
- High level of information exchange, some sensitive
- Better understanding of customer
- Development of trust
- Proactive rather than reactive
- Prepared to invest in relationship
- Wider range of joint and innovative activity
- Joint strategic planning, focus on the future
- Opportunity to grow business



Integrated KAM

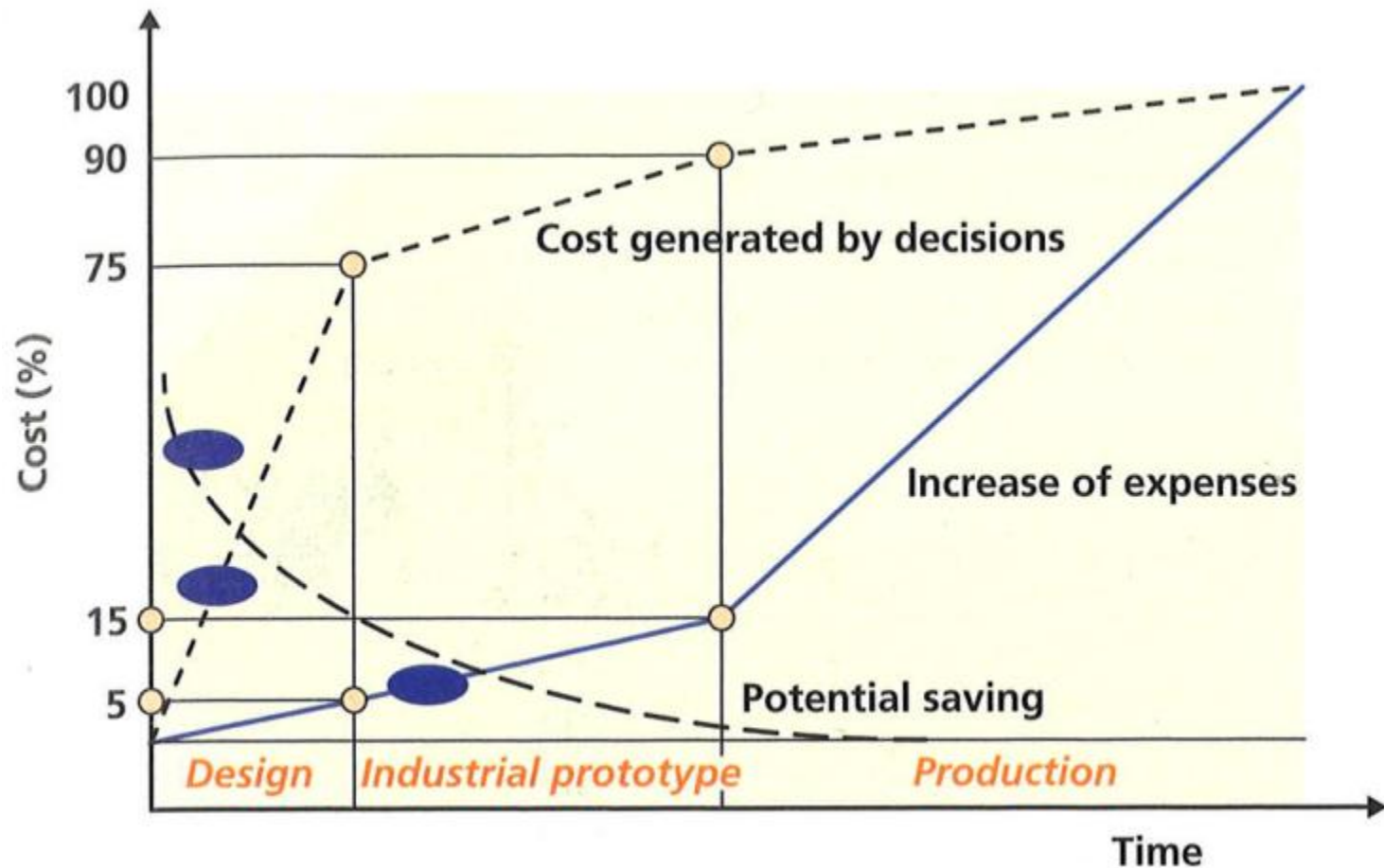


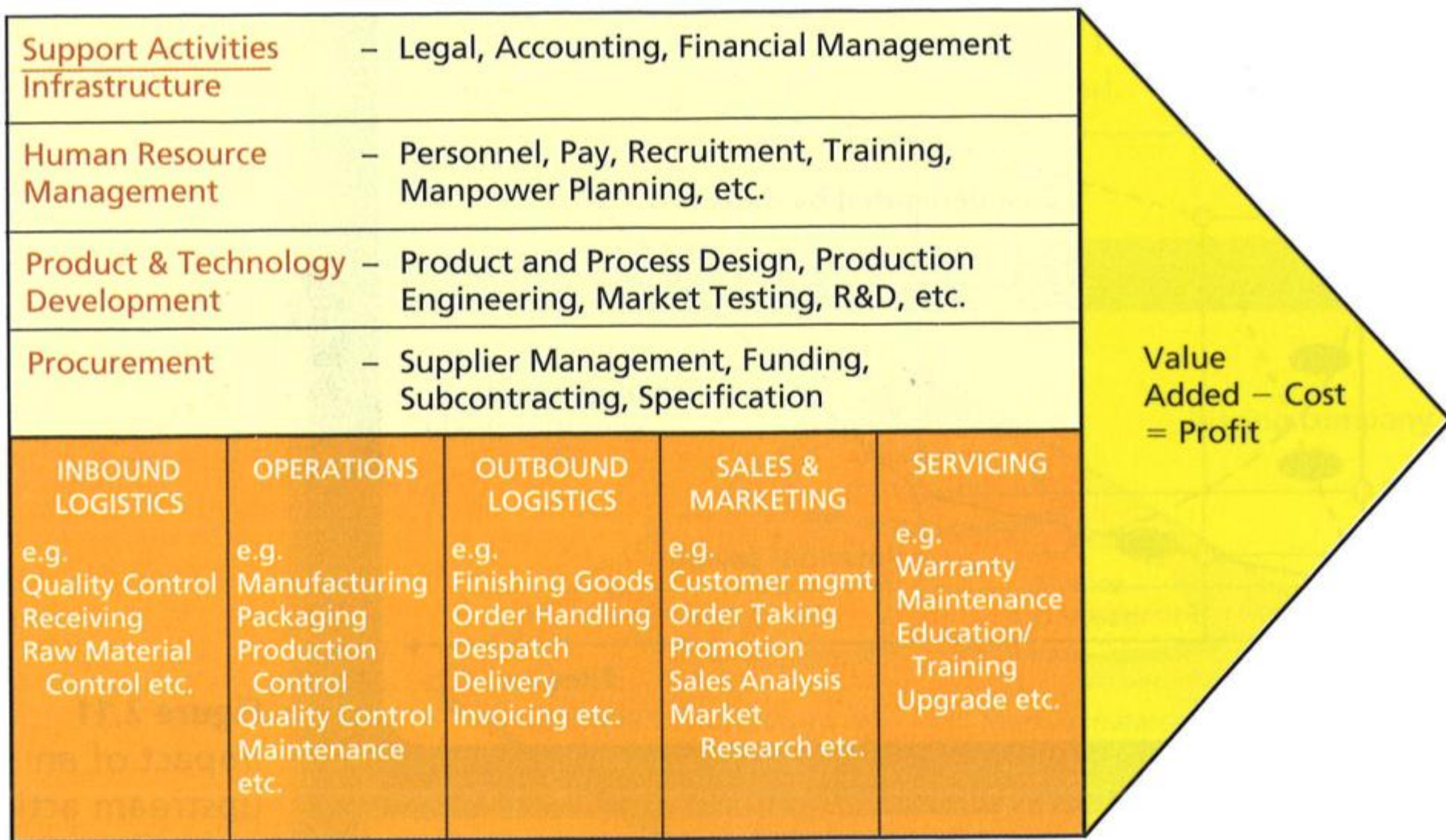
Integrated KAM

- Real partnership: complementary, mutually dependent
- Few in number
- Sole supplier, poss handling secondary suppliers
- High exit barriers, exit it traumatic
- Individual organizations subsidiary to team socially
- Dedicated, cross-boundary functional/project teams
- Open information sharing on sensitive subjects
- Transparent costing systems
- Assumption of mutual trustworthiness, at all levels
- Abstention from opportunistic behaviour
- Lowered protection against opportunism
- Joint long-term strategic planning
- Better profits for both



Impact of an upstream action





Primary Activities

Many activities cross the boundaries – especially information based activities such as: Sales Forecasting, Capacity Planning, Resource Scheduling, Pricing, etc.

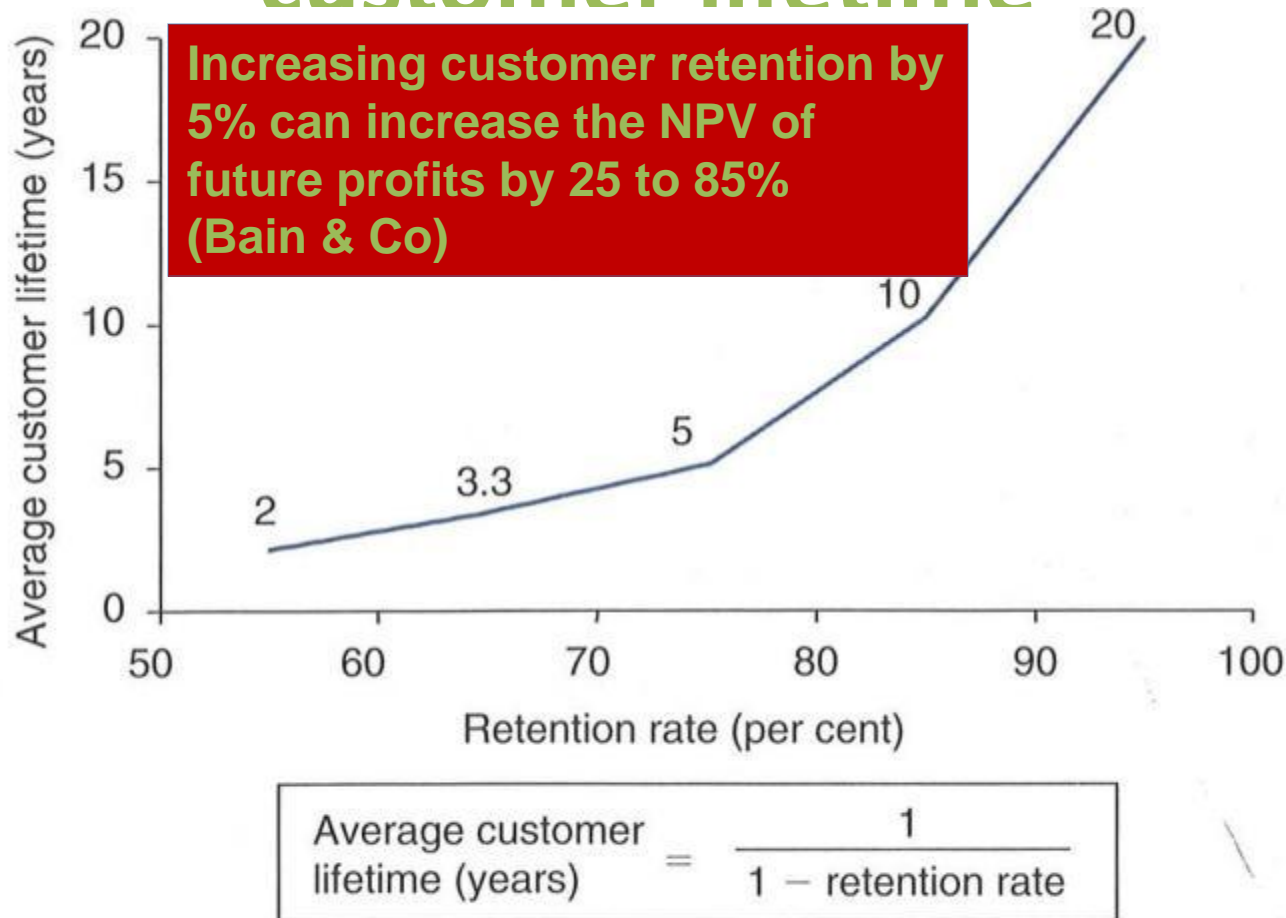


Disintegrating KAM



- Occurs at any level
- Rarely caused by price problems
- Often change in key personnel
- Key account manager's approach or lack of skills
- Failure to forge multilevel links
- Breach of trust
- Prolonged poor performance against agreed programme
- Changing market positions
- Changing culture, organization, ownership, role
- Complacency
- Financial disappointment

Impact of customer retention rate on customer lifetime

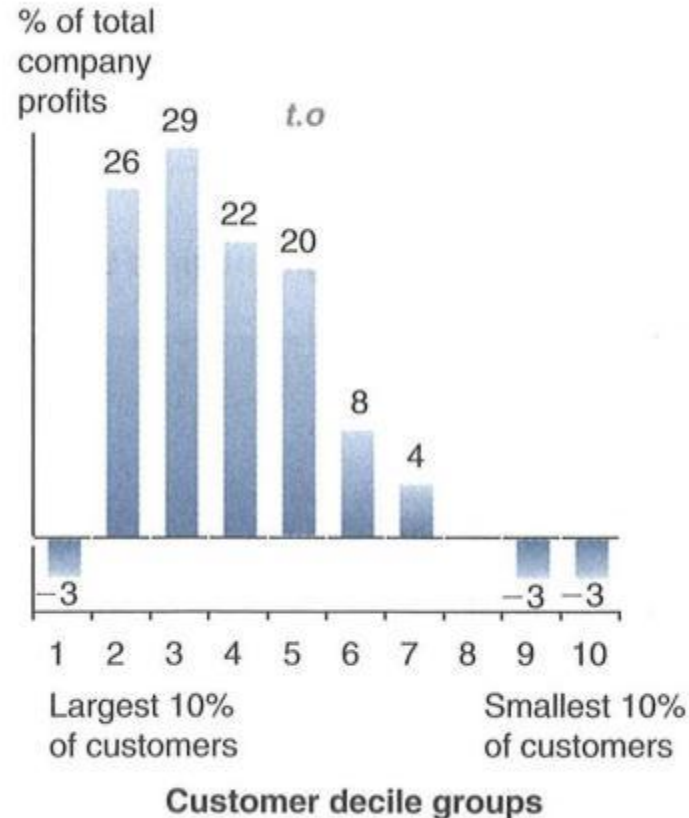
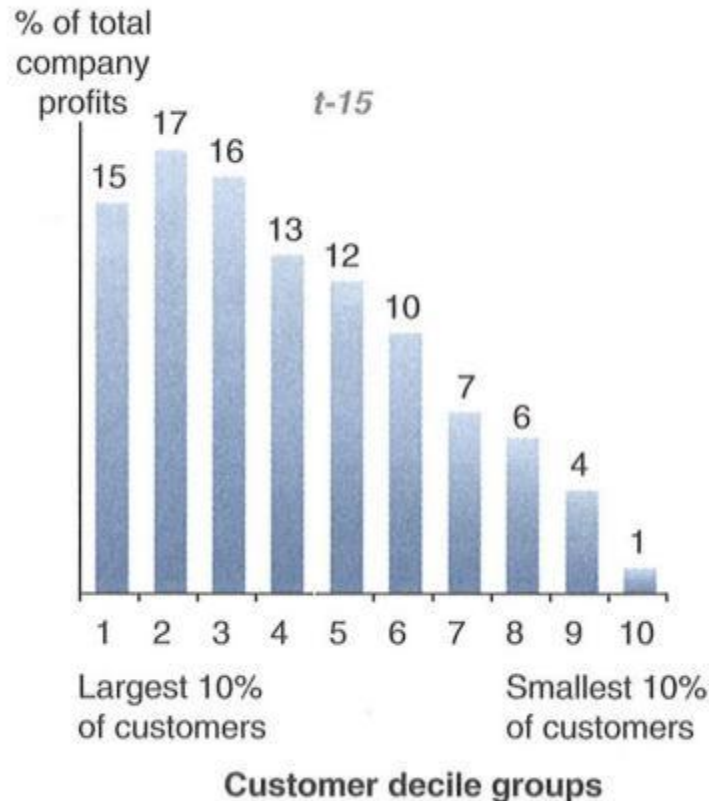


Source: Based on Reichheld, 1994



The widening rift between profitable and unprofitable customers

% of company profit by customer decile
(each decile = 10% of customer base)



Source: Adapted from Wilson, 1998



Portfolio Analysis Matrix

Business strength/position

Interdependent KAM

Integrated KAM

High

Invest in Joint
information
systems and
focus teams

Exploratory KAM Invest
in tailoring product

Basic KAM Invest in
building relationships

Cooperative KAM Invest
in improving processes

Customer
Attractiveness

Low

Vigilance
and
motivation

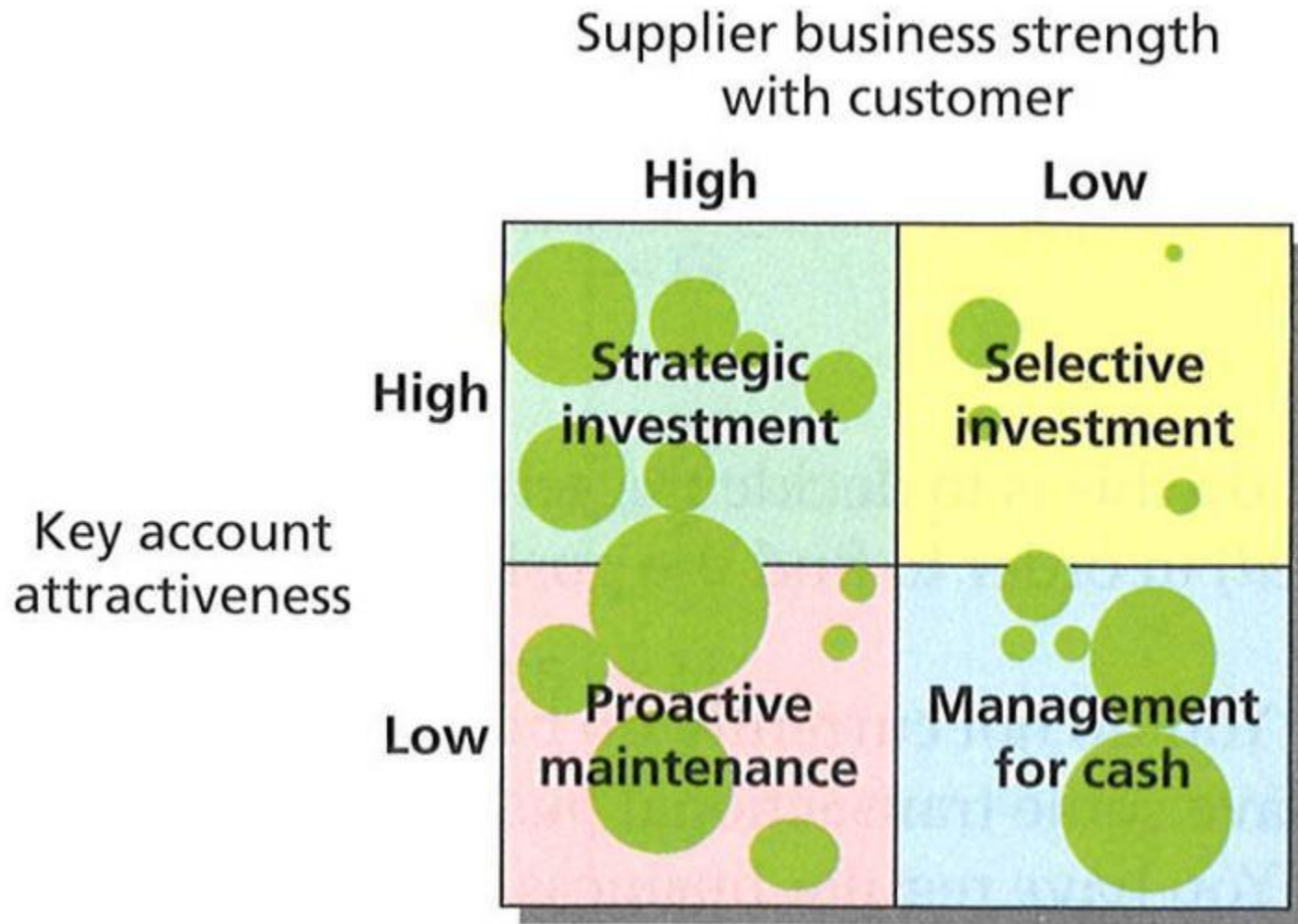
Invest in
devolved
relationships
Maintenance &
Consistency

Basic KAM

Co-operative KAM



The key account portfolio



Produktentwicklungsprozess

Anforderungen an den Innovationsprozess

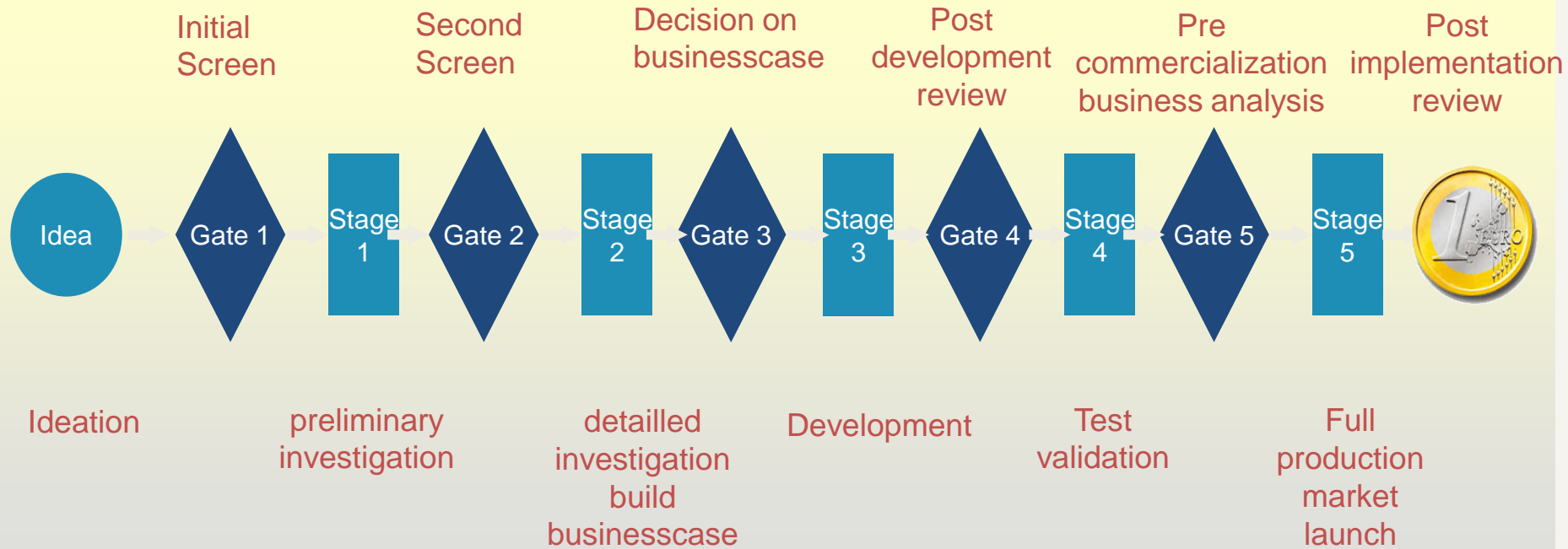
- hohe Qualität des Prozesses
- Risiken beherrschbar machen
- parallele Verarbeitung >> Qualität und Schnelligkeit
- Multifunktionale Teamstruktur
- Teamleiter mit Entscheidungskompetenz
- Markt- und Kundenorientierung
- sorgfältige Ausführung der vorbereitenden Aktivitäten

Stage Gate System (Cooper)

- konzeptionelles und operatives System
- Aufgaben und Entscheidungen in mehreren sequenziellen Phasen
- vor jeder Phase ein Gate = Entscheidungspunkt

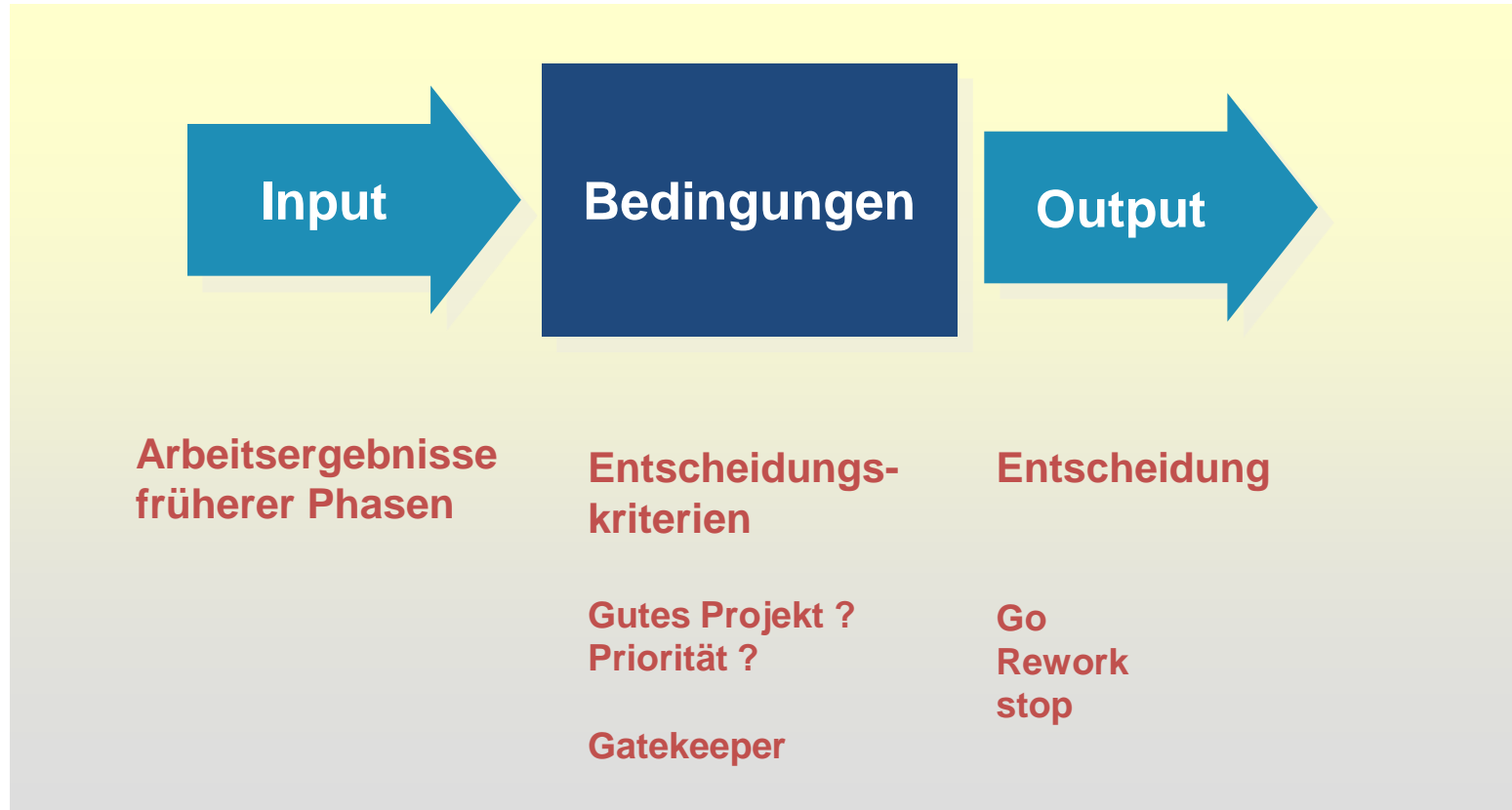


Stage Gate Prozess



Quelle: slideshare / Gerhard Großberger

Stage Gate Prozess - Gates



Gate 1 und Stage 1

Gate 1

- Ist es eine reale Idee
 - Strategie Fit
 - Machbarkeit
 - Politik Fit
 - Sonstige Hindernisse
- Hat die Idee Potenzial
 - Marktgrösse
 - Gewinnspanne
 - Amortisation
- Kann das Projekt erfolgreich sein
 - Synergien vorhanden
 - Scoring Modell

Stage 1

- Vorläufige Marktbearbeitung
 - Desk research
 - Marktattraktivität
 - mögliche Akzeptanz
 - Wettbewerbssituation
- Vorläufige technische Bewertung
 - Produkterfordernisse
 - Erfordernisse realisierbar?
 - Schlüsselemente für Machbarkeit
 - Herstellbarkeit
- vorläufige finanzielle Bewertung
 - grobe Abschätzung Investment, Umsatz, Amortisation

