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Customer–supplier partnerships
Perceptions of a successful key account management program

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Abstract

Key account management (KAM) is regarded as one of the significant marketing trends over the last few years. This study investigated the perceptions of suppliers and key account customers regarding the success factors of customer–supplier partnerships. The results are reported from a survey of 92 suppliers and 98 key account customers. Analysis of the results indicates that suppliers and their key account customers have similar perceptions of the key success factors in the customer–supplier partnership. Finally, recommendations for the development or improvement of a KAM program are presented. © 2002 Elsevier Science Inc. All rights reserved.

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1. Introduction

Many companies have moved away from transactional-orientated marketing strategies towards relational-orientated marketing strategies. Suppliers have recognized that improved customer–supplier relationships increase key account customer retention and loyalty, allowing them to compete more effectively.

This shift towards relationship marketing brought with it a new management philosophy, namely key account management (KAM). KAM is one of the more significant marketing trends of the past several decades [1]. It is a strategy used by selling organizations to serve high-potential, multi-location accounts with complex needs requiring individual attention through a carefully established relationship. A key account is a client or customer that is pivotal to a compound success in a market.

The objective of this study is to investigate the perceptions of suppliers and their key account customers regarding the success factors of customer–supplier partnerships. Focusing on best practices and benchmarking against successful partnerships may help management improve the effectiveness of their partnerships.

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2. Literature review

2.1. Buyer–seller relationships

Research on buyer–seller relationships began in the 1970s, firstly by European researchers and then by American academics. According to Reid and Plank [2], there are a number of theories of buyer–seller relationships, but there are few studies that have empirically tested them.

Two main approaches have been suggested to study buyer–seller relationships. The dyadic or systems approach was developed in the US in the late 1970s [3–7]. The international marketing and purchasing (IMP) approach has been developed by European researchers. This approach consists of four major elements — the interaction process, the interaction elements, the interaction environment and the atmosphere of the interaction parties' relationships. This model or approach has been discussed in many studies [8–15].

Relationships and relationship marketing have developed over recent years, and there are differences of opinion as to what both mean. Most researchers define it from the perspective of developing longer-term relationships with customers [2]. Many researchers have regarded relationship marketing as a network phenomenon that includes the dyadic approach. A number of models have been suggested by researchers [16–23]. Empirical efforts at applying these models have been limited. One practical way of maintaining and improving buyer–seller relationships through the rela-

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tionship approach is by a firm appointing key account managers to look after purchasing organisations.

2.2. The evolution of KAM

Weilbaker and Weeks [24] noted several business conditions that appeared in the business environment that stimulated some companies to change the way that they sold to a few very large accounts. A small number of buying companies accounted for a large portion of a supplier's sales [25,26], increased pressure by the buying companies on the selling firms to improve service [25] and a wide geographic dispersion of buyers for the same company [27].

Weilbaker and Weeks [24] also noted that there was increased pressure on the buying agents to reduce costs, increased pressure from the buying companies for better communications and there was an increased desire to develop partnership. Up to that point in time, sales people were responsible for selling to companies only within their own geographic territory. As more and more pressure was placed on the buyer to reduce costs, and increase quality and service, a few companies adopted a new way of approaching these key and major accounts. The company would assign one salesperson the responsibility to manage and develop a few key accounts. The improved service and responsiveness to the key account customer proved to be a key issue to those buying companies that were looking to off-load some of the responsibilities normally handled by their employees [24].

2.3. The role of the KAM

Key account managers speak to the larger, complex, strategic customer in one voice that represents the full capabilities of the supplier [1]. Napolitano [28] indicated that the selection of the right key account manager is crucial to the success of the KAM program. The primary focus is to orchestrate intercompany relationships to ensure attainment of mutually beneficial goals of increased sales and profits. Napolitano also noted that the key accounts manager must have the conceptual and analytical ability to understand the key account customers key profit and productivity goals, main concerns, and to provide solutions based on his company's resources and creativity [28]. The key account manager must possess high-level selling skills. The most successful key account managers are armed with superior relationship skills that transcend traditional measurements of sales performance [28].

An important element of any successful KAM program is the type of business customer that prefers these programs. Sharma [29] discussed several characteristics of key account customers that prefer KAM programs. The characteristics are: companies that have a high level of vertical involvement in buying decision-making should prefer key account programs; companies that have high levels of formalization of the decision process and the time taken for the decision should have lower levels of preference for key account programs; larger companies have a preference for key account programs. Sharma [29] also noted that where buying decisions involve a larger amount of time, this positively affects the preference for KAM programs.

2.4. Key success factors in KAM

Recent literature has confirmed that there are a number of key success factors in customer–supplier partnerships [28,30]. Understanding the importance of any one of these factors can have a substantial negative effect on the program potential and success rate [28].

Napolitano [28] viewed executive management sponsorship and involvement as the most critical indicators of success. She also indicated that key account managers should report to the highest level within the selling organization. Napolitano [28] viewed the selection process of target key account customers as an indication for the probability of a successful relationship. Successful programs segment and prioritize their accounts based on the fit between the needs of the key account customers and the supplier's core strengths and that not all large-volume customers are suitable partners. Napolitano [28] stated that the primary focus of the key account manager is to orchestrate the intercompany relationships so as to ensure the attainment of mutually beneficial goals of increased sales and profits. The successful key account relationship is predicted upon establishing a process for adding value on a consistent basis.

Key success factors described by Hannah [30] show three research findings relating to KAM success. The first is that the majority of key account managers are promoted from traditional field sales assignments, and the skills they relied upon in the past are no longer necessarily applicable or sufficient in their new role. The second identified new behavior, and distinguished five factors that are important to KAM success. These are: managing key account relationships, understanding key account business, ensuring action and responsiveness to key account customers, involving others in the key account and ensuring commitment to the KAM program.

Senqupta et al. [31] looked at the best practices of KAM among the 650 members of NAMA. The study highlighted several crucial elements that influence the success of the KAM program. Firstly, the performance of the key account manager is inversely proportional to the number of accounts they have. Secondly, the bulk of annual compensation received by KAM was still rewarding sales volume and profitability while failing to recognize the long-term relationship-building role of a key account manager. Lastly, the study showed that because key account managers provide long-term strategic planning for their key accounts, greater use of the newer information technology tools and applications should enhance their performance. Caplan [32] also highlighted the use of technology by the key account