SELLING TO KEY CUSTOMERS

by Scott Downey

Picture your largest-volume customer. Describe that customer's operation. What does it look like? How are decisions made? What role do the owners play in the operation? In a growing number of agribusinesses, these answers may be significantly different for large versus traditional operators.

Data collected by the Center for Food and Agricultural Business at Purdue University in the 2003 Large Commercial Producer Project indicates that larger operators plan to continue growing dramatically in the next five years. Selling to large and traditional producers in the same way may no longer make sense. Key Account Management (KAM) offers an approach to selling to larger accounts that is being considered by many organizations. Segmenting large producers, or key accounts, for special attention recognizes that this group may differ from their traditional counterparts, but it is an approach that requires planning before implementation.

The size of large producers' operations as compared to traditional producers may not be the only distinguishing difference.

• **Their needs for service and information may differ dramatically.** Large commercial producers may be more innovative and constantly searching for new ideas to implement. Their efficiency may not provide them with the means to look for every answer internally.

• **A large commercial producer may have multiple business interests.** One large commercial producer described himself as being as much in real estate as in agriculture, and the interests of many of his suppliers as competitive more than supportive. One large producer had a distribution business, "on the side." Another started a feed manufacturing operation.

• **The way a large producer makes decisions about purchasing products may be more formal than a traditional producer.** Some of the largest commercial producers may restrict times that they meet with suppliers and may even have someone in their company for whom purchasing is a primary role.

• **The number and character of influencers directing or advising a purchase may make it more complex.** Financiers, managers and technical specialists may form a team of decision influencers, formally or informally, on whom a larger producer may rely.

Despite these differences, many agrisellers resolutely hold on to the idea that they can sell to all operators in the same way — forcing large and small customers to adapt to a traditional approach to selling that was developed prior to consolidation and prior to the development of many of the technological tools and communication options being utilized today.

It may be that key accounts and traditional buyers are different enough that they can no longer be served in the same manner. Traditional selling is not going away, and neither are traditional buyers, but recognizing that there are differences among customer segments may make multiple selling approaches a valid consideration. Key Account Management is a selling approach that focuses on large commercial producers.

THE CASE FOR KAM

The largest single factor driving KAM is consolidation. While large producers don't outnumber traditional producers in most market areas, there are more large producers today than there were five or 10 years ago. The size and emphasis on growth among large commercial producers present several challenges for agrisellers.

Some large producers say that suppliers don't have anything to offer beyond product. A key account may have in-house managers and technical people who are paid to have knowledge about cutting-edge practices and research. A key account's size may allow it to efficiently provide all of its own services, and it may operate over ranges that exceed the service boundaries of small suppliers. In these scenarios, the claim is made that a supplier can only build value by reducing price.

How does a seller respond? One option could be to ignore that segment, but not selling to a large commercial producer may be detrimental. After all, even at a lower margin, a large volume sale covers a lot of overhead, and large producers will buy product somewhere. For most organizations, the question is not whether to sell to key accounts, but how to make money doing it.

How to create value that a key account is willing to pay for differs from account to account, which is exactly why key accounts require management. With multiple decision-makers and influencers, just figuring out who is making the decision can be problematic. From a customer perspective, why should a key account invest time with a seller when they only perceive them as a purveyor of a commodity? The probe, presentation and closing skills of a traditional salesperson are still required to serve key accounts, but it takes skills and resources beyond those to serve large commercial producers at a level necessary to bring profit-generating value. Key account managers must be proficient planners, able to allocate time, budgets and coordinate effort across multiple sales territories in order to accomplish their task successfully. Those are fundamental management skills that go beyond traditional selling skills.

IMPLICATIONS FOR SELLERS

Treating key accounts differently may offer some real benefits to both the seller and the customer. Done effectively, KAM can deepen knowledge of the large producer segment, uncovering efficient ways of delivering real value in exchange for improved margins. Before implementing this approach, though, a few questions should be considered. Not least among them is defining what makes an account "key" and whether designated key account managers or traditional salespeople should serve them.

There may be clearly identifiable characteristics of customers who fit the description of key accounts. Every salesperson should probably identify his or her top three or four accounts as being important in the sales portfolio, just as the organization defines key accounts more broadly. When the gap between key and traditional accounts isn't clear, some real thought should be given to what justifies an account being designated as "key."

One way to think about the need for designated key account managers is to look at whether key accounts make purchase decisions in a more complex manner than traditional customers. If there are no significant differences between the two, it probably doesn't make sense to have a designated team of key account managers. Individual salespeople can probably provide additional attention to key accounts by being more specific in planning activities and more intentional in their implementation. Sales managers can work more closely with salespeople to help them develop strategies for providing services for larger accounts when key account purchase decisions are not particularly complex.

Another consideration is whether the volume of business from key accounts can be defined and enhanced by redefining value as something more than just products. A designated key account manager may provide a better opportunity to understand the key account's needs more deeply and build unique value for them. Ideally, a dedicated key account manager should be someone who has a strong relationship with the key account and who can effectively manage and coordinate people within his or her own organization.

Implementation issues should be considered. Sometimes key account programs meet with resistance from traditional salespeople who struggle with the idea of not treating all customers equally. They take pride in being responsive and don't distinguish between equal treatment and equitable treatment, although good salespeople understand this difference intuitively. By their nature, many larger accounts demand proportionately larger amounts of attention. KAM does not imply that traditional customers will receive worse service, but rather that they will receive *different* service. Used effectively, alternatives such as customer calling centers or online services may provide on-demand services for traditional customers in a more efficient manner. Key Account Management implies a promised level of service to customers that must be considered prior to undertaking the effort.

There are two tools that key account managers must have in order to be successful — training and customer information. KAM is foremost a management role, coordinating resources within the organization. This means making sure products leave when they're supposed to and arrive when they're supposed to, making sure invoices are correct, making connections with peer salespeople in other territories where the key account operates, and coordinating internal and external technical staff or researchers. These tasks take tremendous time and effort to plan and implement and often must be accomplished without formal authority. To do them effectively requires training.

Similarly, a good key account manager leads the way in terms of the practical use of technology. Customer information systems, whether electronic or paper, aren't just places to look up billing addresses for customers; they are repositories of conversational records regarding customer business plans, strategy and performance. Using cutting-edge tools requires organizational support and experience.

Finally, key account relationships typically require a long-term view for managers and salespeople. It may take a few years for a relationship with a key account to reach full potential. Rewarding only sales volume may not be the right reward system for key account managers. Instead, a system that recognizes milestone achievements may encourage relationship development that ultimately leads to very large sales. A key piece of information about customer goals or a small-scale test purchase or trial of the product may be monumental achievements with a large account. Call volume may not be as important for key account managers as call quality or effective planning. Admittedly, these measurements are harder to track, but rewarding the same old things will more than likely beget the same old behaviors.

KAM offers some real benefits to organizations that seek to work more closely with large, complex customer organizations. While this segment is important in terms of the size of individual sales, it may only represent a small fraction of the total market. Many organizations are interested in learning more about the desires of key accounts, not just because of their potential volume, but also to stay abreast of trends with some of the more influential producers in the marketplace. Continued consolidation may mean there are more large commercial producers tomorrow. Organizations who want to be prepared to serve them may wish to consider Key Account Management as one means of learning more about this group. Implemented effectively, KAM offers the ability to develop expertise in a segmented selling approach that may be even more important in the future as additional customer segments emerge. **AM**

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