Choosing and Working With Strategic Accounts

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When you work with a regular account, you provide a widget or service and get paid for doing so. The only connection between your company and the company to which you sell is that widget. So, when another company comes along that sells a widget or service for a few pennies less, the company to which you sell will probably turn around and buy the cheaper one instead, resulting in lost business for your company--which you'll have to make up for by replacing this lost business with a new account. And, the cost of replacing an account is ten times more than keeping an existing customer.

This transactional approach is directly the opposite of that which is required to work with strategic accounts. When working with strategic accounts, you form a mutually beneficial partnership that provides a certain amount of stability for the selling company by ensuring happier end-users--and all stakeholders--for the buying company. But, a word to the wise: Not every account is a strategic account.

What constitutes a strategic account?

Sharon Williams, a sales consultant with Reno, Nev.-based Miller Heiman Inc. who contributed to the most recent update of the Miller Heiman book on the subject, *The New Successful Large Account Management: Maintaining and Growing Your Most Important Assets—Your Customers*, recommends that you consider a number of factors: revenue history, account history, margins and profitability, among others. But, she says the most critical consideration is whether the account in question desires a long-term win-win relationship with your company.

Williams suggests that you define the criteria for the accounts with which you currently work well: "Be conscious of what makes your organization work well with each of those relationships. Is it access to all buying influences? Is it the skills of the account manager?" Then, Williams says, look to the way you're presenting your solution as compared to the needs of your existing customer base. Varying companies with which you work may use different components of your offerings.

When defining which key accounts to target for strategic relationships, Mike Johnson, a sales consultant for Miller Heiman, says, "What do we both [the buying organization and the selling organization] have in common? The end customer. A true strategic relationship provides something for [the buying organization's] end customers that they cannot get anywhere else. This way, you'll grow if your customer grows and their customer grows." In other words, you and the soon-to-be strategic account must become partners working toward a common goal that brings about growth for each organization. It's a growth network.

How your company is perceived

In Miller Heiman's large account management process (LAMP) for managing strategic accounts, participants use a tool called the Buy-Sell Hierarchy to determine where relationships with current accounts stand. At the bottom level (Level 1), you're simply perceived as providing a product, and at the top level (Level 5), you're perceived as making a genuine contribution to the buying company's issues.

As Williams says, "You can have a strategic account relationship with focused investments at any level on the Buy-Sell Hierarchy. As long as the buying and selling organizations mutually agree on the type of relationship that is desired and work toward that, it can be a strategic account. The relationship is not defined by the type of products or services the selling organization sells. For example, it is possible to have a Level 4 relationship with a customer even if the selling organization sells a commodity product."

And, the difference between a strategic account and all others lies not only in the way the buying organization perceives the selling organization, but in the way communication channels are set up.

"It's a business initiative versus a sales initiative," Johnson remarks. "You need organizational alignment, executive endorsement and metrics to assess your success."

When you're working with a non-strategic account, a strong account manager relationship can be enough, but when you're working with a strategic account, a cross-functional team should be set up for communication at all levels. And, every person at every level—particularly those at the executive level—should be on the same page: The relationship should be perceived as a partnership. "If both organizations aren't committed to the partnership, you shouldn't move forward," Johnson says.

Williams agrees. "There are customers that you have that will never move into a strategic partnership; it depends on the priorities of the buying and selling organizations."

Progressing with a partnership

To initiate a strategic relationship, the selling organization should first put together an account-specific value proposition, Johnson says. "I'd do a survey of all the key players in their organization to see where they position our company on the Buy-Sell Hierarchy today, and I'd assess my own organization to see where my own people see the relationship today."

Then, Johnson suggests sitting down with your team and the buying organization's team to discuss: Where does each company see the relationship today, one year out and five years out? What does each company think is the value that both companies can deliver over five years by working in a collaborative partnership?

From there, you can create a joint action plan and charter statement. The most important thing to remember is that this is a combined effort. Nothing can be accomplished if both companies aren't committed to working together. Future plans must be shared, and there must be an open line of communication between organizations.

Assessing a partnership

Because your company sinks more time and resources into a strategic account, it can be that much more devastating if a strategic account decides to part ways with you. As Williams says, "In order for the relationship to even stay at the same level with an account, you need to do more for them than you did the previous year."

And, part of the process of working with a strategic account is agreeing upon metrics that will assess how the partnership is working. Johnson suggests you come up with a set of metrics that you measure internally, a separate set that you should meet in conjunction with your strategic account, and that the strategic account should have its own internal goals to meet. Here are some examples:

Internal metrics:

Revenue, project ROI, margins, decrease in cost of sales

Joint metrics:

ROI from joint focused investment, achievement of goals in the action plan, communications effectiveness

Strategic account's metrics:

Margins, referrals

Red Flags

As Johnson rightly points out, if a strategic account relationship falls apart, then it wasn't the right account for your business to work with strategically in the first place. Some red flags that may indicate your relationship with a strategic account is about to change, according to Williams and Johnson, are:

- Business that regularly would have come to your company goes elsewhere
- A re-organization within the company could force a change in your relationship
- If both involved companies aren't seeing ROI from the relationship
- If you're not achieving the mutual goals

Williams and Johnson agree that the most important piece in a strategic account relationship is communication. When it works, and both organizations come together to further their individual and joint goals for growth, the strategic account model can be a powerful and stable platform for each involved company, allowing each to make great strides.

About Miller Heiman

Miller Heiman has been a thought leader and innovator in the sales arena for almost thirty years, helping clients worldwide win high-value complex deals, grow key accounts and build winning sales organizations.

With a prestigious client list including Marriott Corp., Dow Chemical, Pepsi, Schwab Institutional and Wells Fargo, Miller Heiman helps clients in virtually every major industry to build high performance sales teams that deliver consistent sustainable results to drive revenue.

The company is headquartered in Reno, Nevada and has offices around the world. More information can be obtained by visiting the company's website at: www.millerheiman.com.