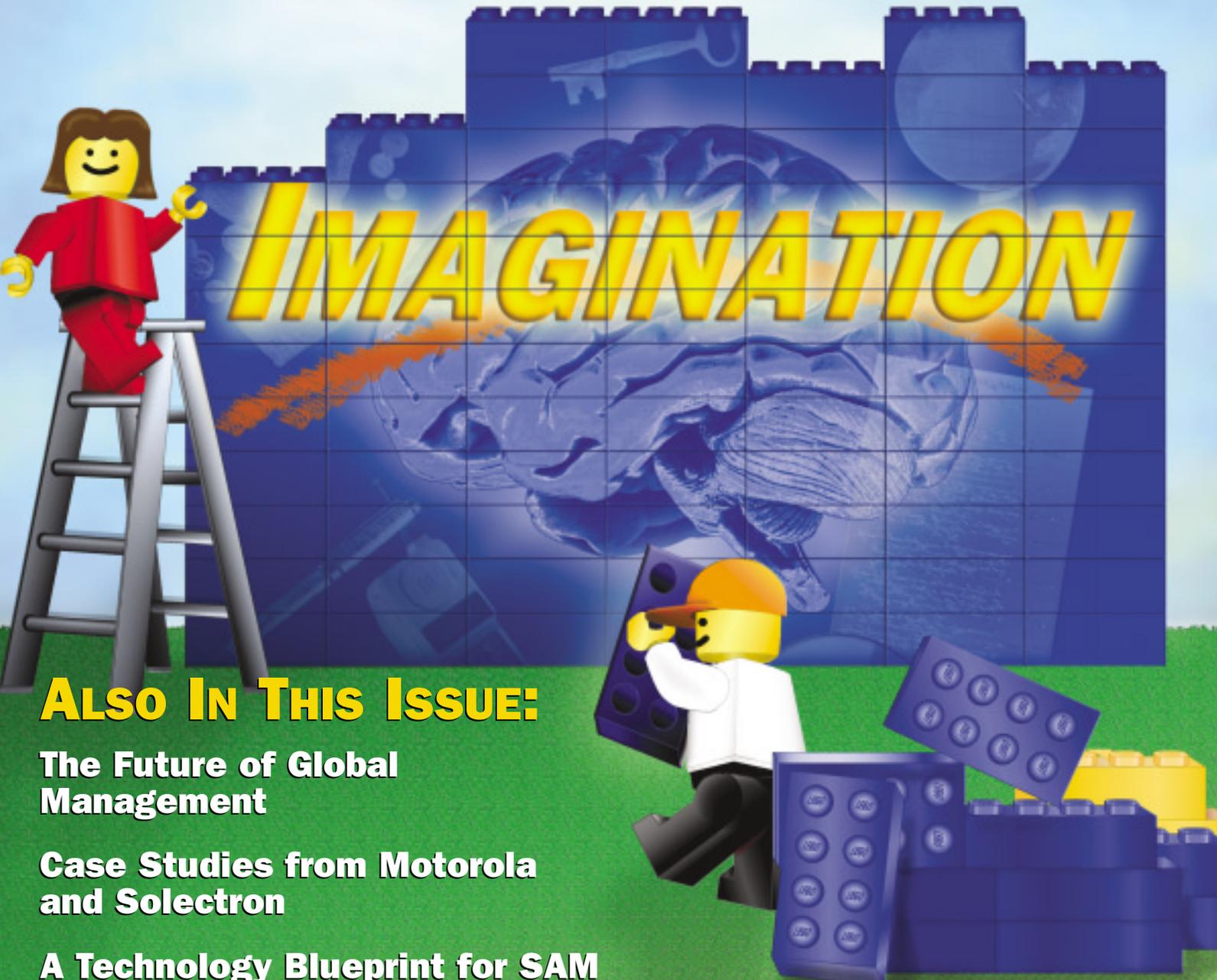


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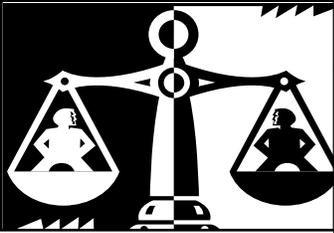
IMAGINATION

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MEASUREMENT

Metric-Based Account Management

By Dennis J. Chapman
President,
The Chapman Group

Metrics are the specific checkpoints within an account rating system that “drive” account servicing strategy and tactics.

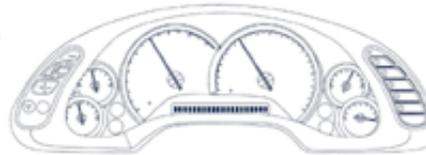
Often times the strongest business lessons are found in other disciplines. My search, for some answers on how to obtain, measure and monitor an accurate situational key account rating and how this measurement could dictate changes to a servicing strategy, led me to one of America’s most popular and growing sports, NASCAR, National Association of Stock Car Racing.

I do not claim to be much of a racecar buff, however, I do take great pride in enabling my cars to have extended lives (years and high mileage) through my years as a sales rep, manager and director. I am likewise impressed by the performance that certain racecar teams obtain from their racecars. The same teams seem to keep winning. While their drivers are the tops in their field, their cars make a significant contribution, serving them very well, reliably and with optimum performance. So what is the formula to their success and how can we take lessons from them to apply to achieving our daily key account servicing challenges?

Gauges! They All Have Them! We All Have Them!

Gauges tell them oil pressure, tire pressure,

RPM’s (revolutions per minute, for those not mechanically inclined), fuel consumption rates, battery strength, and speed! With the advent of the computer, many racing teams have additional information that speaks to the balance of the car, projected tire wear, driver tendencies and fatigue, and an assessment of the overall performance of the “total machine”. Knowledge really is power when it comes to establishing a consistent winning team!



GAUGES ARE ALWAYS WORKING, TAKING MEASUREMENTS AND CALCULATING SPECIFIC OBJECTIVE PERFORMANCE FACTS. THEY TAKE THE SUBJECTIVITY OUT OF ASSESSING A SITUATION.

A key point about gauges is that they are always working, taking measurements and calculating specific objective performance facts. They take the subjectivity out of assessing a situation. Gauges provide us with metrics and indexes that all have quantitative conditional readings like full or empty, hot or cold and low or high. Based on gauges, the racecar team takes action. Subjectivity, basically an analytical process filled with assumptions, has little or no useful value for a racing team.

Experience should not be confused with subjectivity. There are critical, “on-the spot” decisions made by experienced mechanics, who, when presented the facts call on past experiences to make well-founded strategic and tactical decisions to improve performance.

The question then presents itself, what gauges do we have to assess the ongoing status of our key accounts and business relationships to enable us to make similar well-founded strategic and tactical decisions? See Figure 1 (next page) for a visual representation of account relationship gauges.

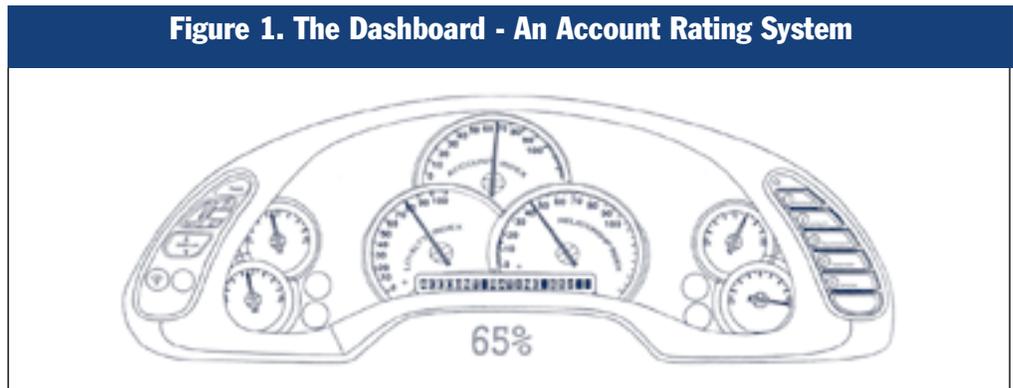
As with a high performance racecar, we first need to determine what critical gauges will help us monitor the condition of our account relationship. These gauges, as one system, become our Account Rating System. It is recommended that every organization that services key accounts require such a rating system. This “objective” system provides an “on-the-spot” situational assessment of our account relationship. I stress the importance of objective. This requires the system to incorporate key metrics that can be quantified and measured. Hence, euphoria, assumptions, open-ended statements and unfounded conclusions cannot be components of the account rating system. All assessments (ratings) must be quantifiable and capable of being measured in degrees, usually on a scale of 1-100 with 100 serving as the optimum score.

One important value of the Account Rating System is that it is a “forward thinking / predicting” system. Much like the gauges in a racecar, it assimilates information and converts it to a specific rating that when evaluated as a trend or opposite prescribed performance benchmarks, shows strong indications, based on facts, that a critical element of our account relationship is changing and that our overall account relationship may be at risk!

This presents the account servicing team vital knowledge that can be used to manage the account proactively. This data, when available, enables key account teams to take corrective actions, sometimes in advance of when the driver (like a key relationship) becomes aware that something is not performing as recommended and required.

Key Gauges (Indexes) in The Account Rating System

Like a racing team, we need to monitor critical gauges. We have three such critical gauges that we refer to as indexes, that provide key status updates



about our account. These indexes are measurements that evaluate the health of our account relationship. They include:

- Loyalty Index,
- Relationship Index,
- Internal Account Index,
 - Financial Analysis,
 - Products and Services, and
 - Competitive Profiles.

It is through monitoring changes and variances in these indexes that a servicing team can take appropriate actions. **It should be understood that these indexes are quantitative measurements. These measurements are based on rules that indicate when certain indexes vary according to prescribed index benchmarks.** To effectively take advantage of their full value, they require the installation of an account rating system (usually embedded into a simple software tool). This tool can be as simple as Excel® or Access®, and as sophisticated as part of your corporate Sequel / Oracle databases. More importantly, this approach and the metrics need to be integrated into your account servicing process and complimented by an embedded account management methodology.

Now let’s review each index and understand their value, application and how they may enable you to either retain or develop those accounts that often dictate your organization’s success.

1. The Loyalty Index

As obvious as it may seem, it is imperative to have a quantitative measurement of your products and services, competitive position, support, pricing, relationship, etc. *directly from your account contacts.* The Loyalty Index

should contain specific questions that solicit quantifiable answers that can be scored to present an overall index value.

A Loyalty Index must possess four properties to be useful and valid:

- Representation from all levels of your account’s management team (senior, mid, first-line) with a minimum of 5-7 participants (recommended at least 10) per account,
- Assurance of anonymity to those who participate,
- No extraordinary personal benefit or offers to participants to ensure data integrity, and
- Presentation of clear questions with precise and measurable response choices to survey participants – all choices need to be weighted (transparent to participant) in accordance to its value to determining the probability of a long-term relationship.

Measuring account loyalty is not an option, it is required! There are Web-based tools available today, that make measuring account loyalty a much simpler, timelier and significantly less costly and cumbersome task than in previous years. Some tools even provide customizable surveys (see Figure 2), enabling surveys to be tailored to meet unique business units and their accounts. Loyalty-measuring tools also come with loyalty gap analysis. An automated evaluation of an account’s completed loyalty survey, that when selected recommends strategy and actions for the account servicing team to take to improve the overall Loyalty Index. The Loyalty Index provides critical input to the account servicing team. An additional important point:

Do not confuse account satisfaction

Figure 2.

Sample Questions that Will be Good Indicators of Your Loyalty Index

Do we satisfy your needs today?

- Yes
- Acceptable
- Not Really
- Not At All

Do you believe that we understand your business?

- High Understanding
- Average
- Minimal
- No Knowledge

To what extent do we positively impact your net revenue?

- Significant
- Moderate
- Limited
- Minimal, If Any

Are we identifying projects that offer you a payback & profit improvement?

- Yes
- Sometimes
- Never

Do you view us primarily as a provider of?

- Value-Solutions-Services
- Value Products
- Commodities

Value beyond price for you is?

- Critical
- Somewhat Important
- Optional

Sample Loyalty Index Charts



Note: For all indexes, here and throughout this document, all data points (area for evaluation) have multiple-choice answers. All answers are weighted according to their impact on the longevity of an account relationship. Answers that have negative implications carry lesser or sometimes negative values. Answers that have positive implications to an account relationship have positive values, some greater than others.

with account loyalty! Account satisfaction is a measurement in time of an account's testimony to your performance. Account loyalty is a measurement of multiple reference points that indicate the account's probability to remain or grow with your organization. There is a significant difference between these two evaluations. While we strive to satisfy, we should focus on our long-term strategy for retaining and growing the account relationship.

When administered properly, the Loyalty Index contains within it a customer satisfaction evaluation module, making it the single most important index of all, since it is the only index that truly represents the view that comes directly

from your account!

It is suggested that the Loyalty Index become part of a collaborative work plan between the account and the supplier. Through this collaborative effort, mutual accountabilities, responsibilities and performance indicators can be developed and agreed upon.

2. The Relationship Index

Many organizations have discovered the need to position their sales efforts to "sell high" within their accounts. Is this enough? No! While senior level (sometimes referred to as "C" level (CEO / CFO / COO / CIO) relationships are everyone's targets, the real value in managing account relationships often

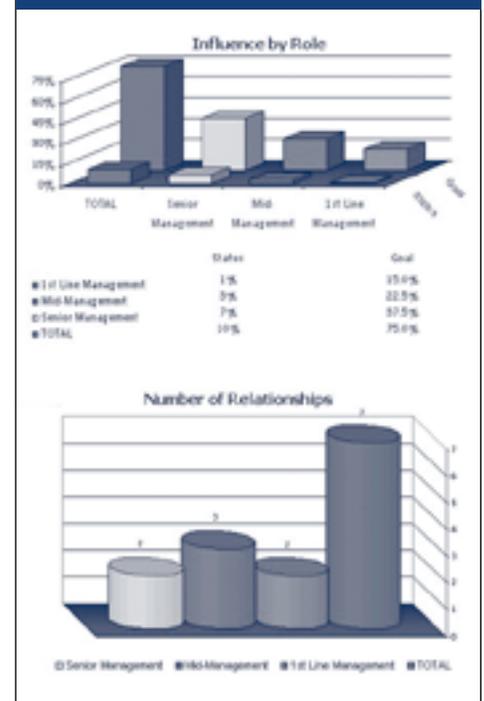
goes unabated. It is not enough to get to the "C" level; the real goal is to stay there and have this level of management, as well as other vital levels of management, enroll in your organization's overall value proposition.

A Relationship Index provides an evaluation of three critical aspects of the overall account relationship:

- Penetration; i.e. the sheer numbers of relationships at multiple levels of management;
- Aspects of the relationship; i.e. low-cost supplier, valued partner, etc.;
- Characteristics of those individuals in your relationship network; i.e. Power, influence, role, level, alignment, and behavior style.

It is critical that your account metrics include a quantifiable relationship scorecard that portrays the real status of your overall account relationships (see Figure 3). Building, maintaining and managing account relationships require team support and collaboration. It is also critical that the indexing of relationships be an integral part of any account management system that is employed. The system needs to have both the methodology and functionality to provide this type of relationship assessment.

Figure 3.
Sample Relationship Profile



It is important to realize that there are two types of uses for the Relationship Index:

- To measure the status of our account relationships – The Account Relationship Index, and the one we are focused on within this document, and
- To measure the status of our relationships specific to the decision-making matrix for a specific opportunity – An Opportunity Relationship Index.

While both Relationship Indexes are similar they serve very different purposes. The Account Relationship Index assesses our relationship status relative to our overall account situation, and the Opportunity Relationship Index assesses our status of critical relationships that will be part of the decision-making process for a specific opportunity.

3. Internal Account Index

Do not confuse this with the traditional data dump of everything that you ever wanted to know about the account and about everyone associated with the account! This is not that type of an assessment. It is much simpler and focused on only three account “health check” components that may serve as a snapshot in time of an account’s situation. These components include:

- Financial Analysis (see Figure 3),
- Product and Services (see Figure 4), and
- Competitive Profiles (see Figure 5).

While this may seem simple, many other traditional situational assessments offer more subjective analyses and are difficult to quantify and act upon. It is also recommended that combined with other metrics enclosed within this article that a more precise and valuable Internal Account assessment is derived, thereby providing more specific and valuable metrics for dictating strategy and implementing corrective actions.

It is also recommended that outcomes from the Internal Account Index be integrated into team-based and collaborative key account planning and strategy development. This process will develop action plans that may become part of the internal and external account

review process. Including key members of the account’s staff into the external review process is very powerful and a recommended team initiative.

This is an opportune time to make a case for the importance of offering a “total value proposition” versus just a product and / or service for a price. Later in this paper we will present the “Value Proposition Index.” It is here that we assess how we offer and position ourselves as a “total solutions” provider to our account, one that is making an economic impact to their business, beyond just a competitive price!

There are three important aspects of any competitive evaluation:

- Think of assessment questions that you wouldn’t want asked of yourself,
- Think like an account, what would be important to you, and
- Never assume that anything is insignificant, accounts change for the smallest of reasons.

Every account-servicing model needs to incorporate the competitive index and it’s analysis into the account relationship-servicing model to develop a competitive win strategy. The competitive index is a key measurement, over time, to evaluate the progress that our account team is making. The key indicator, wallet share, the amount an account spends with us divided by the total amount that an account spends on like products and services is a very critical measurement. Gains or losses in wallet share are strong indicators of competitive positioning.

What Does This All Mean?

To those sales Sayers (concerned team members) of more work, more tools, more great ideas that will go by the wayside, we say, best wishes. However, to those who need to become more proactive and able to predict account financial, relationship and buying trends, and desirous to reach extraordinary levels of success, it is non-negotiable. An Account Rating system and its embedded metrics bring life and meaning to day-to-day strategy and tactics. The team needs a barometer to track and measure progress.

How to Implement?

Throughout this document we have stressed the importance and value of incorporating an Account Rating system into your account management process. A logical question would be, where do I start, and what are the key milestones that need to be achieved to get there? The following represents our recommended implementation process:

- 1) Build Loyalty Survey (Multiple Choice Questions) with categories and questions in each category. Assign Ratings to the questions in each category with a value for each answer;
- 2) Deploy Survey to multiple management levels of account contacts;
- 3) Gather Results & Tally Scores;
- 4) Weight Loyalty Survey by Management Level ;
- 5) Build Account Rating (Multiple Choice Questions) with categories and questions in each category. Assign Ratings to the questions in each category with a value for each answer;
- 6) Deploy Account Rating to Sales and Account Management Staff for Input;
- 7) Build Profile of a Relationship. Assign Metrics to Each Aspect of the Profile to Measure Relationships in Your Key Accounts (ex: Management Level, Power Rating, Influence Level);
- 8) Deploy Relationship Profiling to Sales and Account Management Staff for Input;
- 9) Profile All Key Account Relationships
- 10) Gather Results & Tally Relationship Scores;
- 11) Weight Relationship Scores by Management Level; and
- 12) Incorporate all ratings into account team collaboration process for development and deployment of strategy and tactics.

There are many resources available to you in the marketplace today that reduce the need for your organization to re-invent every aspect of this implementation process. We recommend that utilize these resources for quick access to intellectual properties,

Continued on page 40

Figure 4. Sample Financial Analysis

There are four indicators that, when evaluated, provide valuable insights into the health of our account and our position with the account. These include:

1. **THE ACCOUNT'S CURRENT BUSINESS SITUATION** (i.e. Industry and account trends)
Example: *Merger / Acquisition status* (Choose answer that best describes):
 - a) Acquirer
 - b) No Change Expected
 - c) Acquisition Target
2. **BUYING CYCLE AND BUYER TENDENCIES** (i.e. Term and value versus commodity)
Example: *Buying Cycle* (Choose answer that best describes):
 - a) Corp. Agreement
 - b) Contract
 - c) Non-Contract
 - d) Expired Contract
3. **SALES AND MARGIN HISTORY**
Example: *Sales past twelve months* (Choose answer that best describes):
 - a) Accelerated Growth > 20%,
 - b) Upward Growth,
 - c) Stable,
 - d) Downward Trend < 0%,
 - e) Accelerated Downward Trend > 20%
4. **SALES AND MARGIN PROJECTION**
Example: *Sales Current Year* (Choose answer that best describes):
 - a) Accelerated Growth > 20%
 - b) Upward Growth
 - c) Stable
 - d) Downward Trend < 0%
 - e) Accelerated Downward Trend > 20%

Figure 5. Sample Product and Services

There are three primary evaluations of any product and service.

- Are they performing as advertised?
- Are they continuing as the best available overall solution and option?
- Are benefits exceeding price?

There is no need to complicate this matter! It is recommended that other metrics be included in this area of evaluation such as; billing, servicing costs, alignment to needs and the dependence of the account on a specific product or service. These evaluations do spin off some valuable information that is relative to our offerings.

SAMPLE QUESTIONS:

1. Rate our products importance to you:
 - a) Unknown
 - b) Mission Critical
 - c) Necessary
 - d) Optional
2. Our products are cost-effective:
 - a) Yes
 - b) Mostly
 - c) Seldom
 - d) Never

An important key to assessing any product or service is to be able to ask candid and direct questions and receive the raw truth from the account. Ultimately, our goal is to take the account's input together with our account team's input and engage with the account through a collaborative process. This process enables us to jointly challenge input, test the validity of any input, validate conclusions and collaborate on an overall improvement plan. This is teamwork, account and supplier collaborating on a long-term improvement plan!

Figure 6. Sample Competitive Profile

When assessing our competitive index there are three important considerations:

- Strengths, weaknesses, and capabilities
- Our own, as we view them
- Our own, as others (account and competitors) view them
- Our competitors', as we view them
- Our competitors', as others (account and our competitors) view them
- Account wallet share; theirs and ours!
- Strategy; theirs and ours!

In "The Art of Strategy" by R.L. Wing, a new translation of "The Art of War" by Sun Tzu, it is stated that, "one's greatest strength eventually becomes their greatest weakness, and through knowing their strengths and knowing their strategy, one can defeat their enemy." Somewhere within every competitor is that chink in the armor that can lead to their defeat. Our challenge is to assess, and then act, not in "hand-to-hand" combat (feature to feature), but strategically then tactically, as appropriate.

SAMPLE QUESTIONS:

1. Your options to change vendors:
 - a) None
 - b) Few
 - c) Some
 - d) Many
2. Evaluate your competition's relationship network:
 - a) Unknown
 - b) Executive to Executive
 - c) Management to Management
 - d) Sales to Purchasing

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technology tools to support the process and select guidance for implementation. Most of the detailed efforts; survey building, evaluating output, interfacing with accounts, can all be well executed by one's own internal team.

How To Administer?

The Account Rating System is not solely a sales function. It is a collaborative exercise that integrates finance, support and marketing resources onto one data assimilation team. Their role is to assimilate the data into a system (including critical account team data input) and distribute back to the account servicing team the "Dashboard Summary" that indicates an accurate situational

assessment of all key relationship indexes.

Effective and efficient administration is based on defining and allocating key resources, assigning ownership responsibilities and follow-up by the most senior executive responsible for the organization's SAM function.

Summary and Tips

- Institutionalize the enclosed critical three gauges to measure the status of your key accounts.
- Quantify and act on facts – they are usually right!
- If it can't be measured then it probably will have little value!
- Engage with your account in the process. Ask your account contacts

simple straight forward and truthful questions.

- Indexes need to be internal and external knowledge points!
- Keep tools simple, Excel® and Access® are good options and they work!
- Do not confuse account satisfaction with account loyalty!
- Minimize subjectivity – it leaves too much to interpretation and error!
- Experience becomes valuable when facts are present and understood!
- When it is all said and done, an effective "Economic Value Proposition" creates, maintains and grows accounts! 

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