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Dear Subscriber

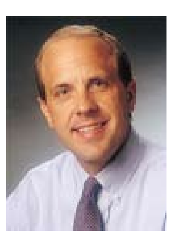
Whereas companies may have cited people as their vital resource in the past, many companies now acknowledge that their strategic accounts are a more critical asset. Through whatever internal changes might occur in an organization, strategic accounts can be a stable growth platform. Companies are now beginning to realize that key account development is the most important growth initiative in which they can invest time and resources.

The real goal in such an endeavor is for the selling business to cultivate its relationship with its client, to go from being a provider of quality products and good service to being a true partner, working with its client to offer increased value to the client's end user. This process is a departure from traditional sales. It requires a deep understanding of the client's business and an equally deep understanding of the client's customer.

Moving to a strategic relationship with a client requires that a company has the built-in flexibility to take its capabilities and create value that matches its clients' needs. It requires full visibility, and executive involvement for both parties in the partnership. The initiative must be grounded in agreed-upon metrics that both seller and buyer pursue and review.

If you do a good job of this, you can make investments with less risk. You create such a stable platform for growth that you're no longer caught in the loop of replacing lost business with new business.

I hope you enjoy this issue of the *Sales Performance Journal*. Please email (info@millerheiman.com) me to let me know your thoughts.



Best regards,

Sam Reese
President and CEO
Miller Heiman Inc.

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Looking for tools and resources to help your sales team increase performance? Consider Miller Heiman's newly published white paper, *Best of Miller Heiman Sales Performance Tips: Funnel Management Best Practices*.

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Big Deals

- NIH Awards BearingPoint $35.9 Million Contract to Support Information Enterprise Systems and Reporting
- EDS Signs $1.7 Billion IT Services Agreement with Kraft Foods
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Strategic Accounts: Evaluating the Health of Your Most Vital Assets

Companies that are serious about surviving and thriving in an environment of heavy turnover and global competition must adopt a laser-like focus to protect their most valuable assets: strategic accounts. To do so, two things must happen: Companies should look outward instead of inward to become truly customer-centric, and the entire executive team, not just the sales team, must back the initiative. With active executive participation in the sales process and the customer as the center of focus, your company can become a partner, rather than a vendor, to the strategic account.

Think strategy, page 3.

Rubber Meets Road: Putting Large Account Management to the Test

In the ten years that Vince McFarlane has been with Miller Heiman, he has provided consulting services to several high-profile teams for Fortune 500 clients. He understands the intricacies of the process that will help companies build successful partnerships with key accounts. Strategic account evaluation can cause some startling revelations that redefine the entire mindset of your company. This shift can help move account relationships to a more secure position. McFarlane shares his views with the Sales Performance Journal.

Read Vince's views, page 6.

Fast Forward: Choosing and Working With Strategic Accounts

Not every account is a strategic account. To identify the accounts with which your company can partner to create more value for all involved, first perform a thorough assessment that defines the criteria for your "good" accounts. From there, you can determine how your products or services will enhance the buying organization's end customers' experience. Through collaboration and striving toward shared goals, the buying and selling organizations involved in a strategic partnership can both achieve growth.

Learn about the process, page 9.

Under the Microscope

Following is a sampling of the types of questions that Miller Heiman recommends addressing in a strategic account analysis and plan:

- What are our strengths in this account?
- What red flags do we see?
- What are the key trends in this customer's industry? What are they doing about them? How well does our plan address them?
- How can we capitalize on their current and future opportunities?
- Where should we be making investments in this account?

Then there's the flip side of the last question: When should we stop investing in this account—or radically change our approach it?

Miller Heiman co-founder Robert B. Miller offers this example: "Maybe we're sponsoring a golf tournament for a particular company. How much value are we adding by doing that? Would they rather see us spend their marketing dollars on something else—for instance, sponsoring a charity event instead?"

Miller recommends gauging whether any such expenditure provides value to both seller and customer. "If the answer is 'yes' and 'yes,' we should keep on doing it," he says. "But it's critical that both parties agree that it's valuable."

After doing the painstaking work necessary to thoroughly analyze a strategic account, how do you know whether the resulting plan is valid? Simple, Miller says: "Go ask your customer. Find out whether what you've prepared is actually what your customer wants you to do." Base the final plan on solid customer feedback, not your own best guess about what the client might be thinking.

If a sales rep balks at sharing an account plan with a customer, Miller asks for his or her sales philosophy. "I ask, 'Are you trying to do something to the customer, or do you want to develop a relationship with them?'" he says. "A relationship involves two people. It's partnering. It's sharing information. The old adversarial, hocus-pocus, used-car-sales approach no longer works."

Your Strategic Accounts: Evaluating the Health of your Most Vital Assets

By Anne Stuart

Editor's note: Following is an abridged version of a white paper written to address challenges and solutions for working with key accounts.

Not so long ago, every organization's motto was: "Our workforce is our most important asset."

Times have changed.

"Today, every company's most important asset is its existing customer base--especially its largest or most strategic accounts," says Robert B. Miller, co-founder of Reno, Nev.-based Miller Heiman Inc.

It's not that employees aren't still critical to corporate success. But thanks to unprecedented changes created by the current volatile business environment, strategic accounts—that is, those key customers—now rank as a growing company's most valuable asset.

Miller Heiman believes that companies serious about surviving and thriving in an environment of heavy turnover and global competition must adopt a laser-like focus on protecting their most valuable accounts.

What's in a Name?

Commonly yesterday's "large" accounts are referred to today as "strategic" accounts. Contrary to widespread opinion, the strategic account category isn't limited to today's biggest revenue-generators. It includes customers that seem most likely to provide profitable relationships over the long term, as well as those potentially offering a foothold in a previously untapped industry.

For instance, "If you have one bank as a new customer, cherish it," says Miller, co-author of *The New Successful Large Account Management: Maintaining and Growing Your Most Important Asset—Your Customer*s, "Banks stick together. If one of them does something, others follow"—and suddenly that one smaller account takes on much greater significance in terms of competitive advantage.

Where to Start

The first step is identifying the accounts that, by any definition, are most critical to your business—"the ones that absolutely must be protected," Miller says.

You must separate the superstars from the underperformers. A good risk management program involves setting such priorities—and pinpointing the likely threats against the best customers as well.

Next, winnow the list to the "best of the best" and have each undergo an in-depth evaluation. But think a small number of accounts: "The

Successful Strategic Account Management

Today, strategic customer accounts—rather than employees—are the most important asset for most successful businesses.

To survive in the current volatile business climate, all companies—regardless of industry and size—must focus on protecting those accounts.

Strategic accounts aren't necessarily just the top revenue-generators; they may include smaller companies offering strong growth potential or unprecedented access to new markets.

Strategic account management begins by identifying your "good," "better" and "best" accounts.

Once you've identified your five or six most important accounts, you should undertake a thorough account analysis.

Effective strategic account management initiatives require top-down involvement and a companywide customer-centric approach.

Problem-solving adds value to customer relationships—and can provide competitive advantage.

biggest mistake that we see is people underestimating the amount of effort involved in doing a thorough account analysis and planning," Miller says. "It's hard, plodding work, and it takes time." For that reason, Miller Heiman recommends evaluating no more than five or six strategic accounts every year.

How can you make sure that key accounts don't slip beneath your radar? "The biggest mistake that's still made in sales is having a single contact point in an account," Miller says. Make sure that you've got multiple people associated with each key account. Such relationships can also prevent situations in which that sole contact person defects to a competing company, taking that precious account along.

Shifting Gears

An effective strategic account management initiative requires two major changes in the typical corporate mindset, Miller says.

Companies need to look outward instead of inward. "Account planning used to be about 'us' and 'ours,'" Miller says. "In an era of worldwide globalization, it's critical to focus on the customer." Sounds obvious enough, but, as Miller notes, many companies that pay lip service to being "customer-centric" actually focus on their own opinions about their products and services rather than those of their customers.

Companies' customer-focused initiatives must start at the top. "The most successful approach involves the entire executive team, not just the sales team," Miller says. In fact, many successful companies are already moving in that direction, according to the *2005 Miller Heiman Sales Performance Study*, a long-term survey of more than 7,000 sales professionals. Many CEOs now spend 25-35 percent of their own working hours directly on sales. Says Miller: "That's a big change."

Solving Problems

Miller says: "What we're talking about here is problems that need to be solved or issues that need to be addressed. That's the first step in getting ahead: understanding those problems and issues at least as well as your customers do, if not better."

That requires more than just knowing what your customers need. In The New Successful Large Account Management, Miller and his co-authors explain: In strategic account management today, successful firms help their clients run their businesses--not just purchase supplies or utilize services. The overall goal of any good strategic account management process is to ensure better business returns for the targeted key account. This means keeping the focus not on your customer per se, but on your customer's customers, the accounts or consumers and other stakeholders that, over time, are making your strategic account successful. It means asking, regularly, how a given initiative or sale ties in to the strategic account's overall business strategy.

In other words: Victory goes to those who add value. "In effect, the goal should be to become a business partner with your customer," Miller advises. "That's the key differentiator."

Outstanding post-purchase support helps strengthen that relationship. "Go back to your own experience as a consumer," Miller advises. "The reason people change stores and services is because they're dissatisfied with what they're receiving for the money"—often because their complaints are mishandled or ignored. Same goes for business accounts. Obviously, providing stellar personalized service helps keeps customers from defecting to your competitors, especially since such changes require strong motivation and effort on the client's part. As Miller puts it: "The incumbent always has the advantage. Always."

To find out more about managing your strategic accounts, download the full white paper by visting the Miller Heiman Kowledge Center on www.millerheiman.com

Anne Stuart is a Boston-based freelance writer who specializes in writing about business issues.

Interview Subject:

Name: Vincent (Vince) A. McFarlane, Jr.

Current Title: Sales Consultant

Previously: Account executive, training manager and general manager for Fortune 500 firms American Hospital Supply (Baxter Healthcare), PepsiCo, Sara Lee Corporation and The Coca-Cola Company

Education: BS, Marketing, Florida A&M; MBA, University of Southern California

Rubber Meets Road: Putting Large Account Management to the Test

By Stephanie Molnar

Miller Heiman's Vince McFarlane knows what it feels like to be a high-performance driver. Just before joining Reno, Nev.-based Miller Heiman Inc., he led a multi-functional Burger King account team at Coca-Cola Fountain. Revenue raced ahead at an unprecedented 32 percent compounded growth rate over a "lap length" of two years under his direction.

He also knows how rewarding it can be to help others reach the winner's circle. Since joining Miller Heiman in 1996, he's been a consultant to high-profile sales teams with large Fortune 500 clients, and helped them reach and exceed revenue targets.

McFarlane's consulting experience includes delivering energy-driven training sessions using Miller Heiman's *Large Account Management Process*SM (*LAMP*®), and he was named the Miller Heiman Sales Consultant of the Year for five years running. *The Sales Performance Journal* asked him to shine a high beam on the process of working with strategic accounts. Edited excerpts of that exchange follow.

Sales Performance Journal: Let's start with the basics. How do you evaluate your current large accounts?

Vince McFarlane: In my mind, that term [large] is somewhat of a misnomer because it leads you to believe it's based on size. It can be any client that is important, whether it's size, revenue, strategic positioning--clients in a particular niche, or who offer innovative products or services. It can even be a small client that will give you the chance to experiment and try new things. But they're going to be worthy of heightened evaluation and perhaps increased involvement.

LAMP® [Miller Heiman's *Large Account Management Process*SM], when executed well, helps sales teams make decisions that result in long-term, defensible positions. Defensible positions lead to secure, expanding revenue streams.

Sales managers know they have important clients out there. But a process for managing large accounts that provides clarity around where they should focus their time and money is not always easy to develop. It's partially about learning to profile an ideal customer. But it also revolves around the tradition of Pareto's Principle, which says that roughly 80 percent of your revenue comes from 20 percent of your clients.

Sales managers know their math, but sales teams may not agree on which partnerships are critical and where it makes sense to devote the most energy. They need a structured process, which gives a framework for discussion on resource allocation for clients that have the richest potential for revenue and profit—[Miller Heiman's *LAMP*® program calls that] the targeted "Field of Play."

Using Burger King as an example: For the purpose of sales, it's not one entity. It's a corporation, franchises and field offices. There are fifty different relationships I could manage that would require fifty different strategies. So the question is, what relationship am I really evaluating and what return do I get for my investment?

SPJ: It sounds like a concept that generates "a-ha!" moments in consulting partnerships.

VM: Absolutely. Then there's the "Buy-Sell Hierarchy" [a concept by which the selling organization can evaluate how the buying organization views the relationship; simply stated, relationships can range from Level 1 (commodity) to Level 5 (partner)]. Are you well positioned and secure, or at risk? Sometimes sales figures are used as a barometer of success, "Well, they're buying a lot of stuff, so they must love us." Volume does not equate to long-term success. You could lose tomorrow when the next bid comes out. It all depends on how your client views you.

Sales managers suspect something along these lines, but *LAMP*® gives them explainable, repeatable approaches to dimensionalize their status--to truly understand where they are in relation to their clients.

SPJ: Revelations that surface through this process require sales teams to adjust their perception of a customer relationship.

VM: Quite a bit. It can redefine an entire mindset. One of the most damaging things I see in selling and salespeople is that often they view sales as subservient--something like indentured servitude. It's a limiting perception that creates dysfunctional relationships.

Salespeople have no right wasting a client's time unless they can say: "I've got something uniquely valuable you can't get anywhere else." Those who present themselves and their products as relevant can engage in equal, mutually-beneficial relationships.

SPJ: Changing the parameters can shift the relationship to a secure position; say, from that of lowest-price provider--or "indentured servant"--to valued resource?

VM: *LAMP*® provides the philosophical construct for managing the relationship. Determining how your client views you on the Buy-Sell Hierarchy using a regimented set of principles is one step. It also gives you tools to evaluate if the relationship is going to give you the result you anticipate.

SPJ: How so?

VM: It helps instill discipline, which some organizations lack. If a relationship stands up to certain tests you're going to give it everything you've got. You may even start from a short-term revenue deficit if you see that you're going to extract future value and achieve balance. You take a leap of faith, particularly if you have senior management commitment.

It can also help you know when it's time to stop making investments in a client – or not even start. Say you're only talking to organizations focused on price. You can't spend too much time engaging with companies that are not predisposed to value-based conversations, no matter how "key" you believe the company to be. They aren't likely to engage in a dialogue that gives you the return you need, let alone discuss bigger picture issues….

SPJ: So you move on?

VM: Well, you can strategize to hit the sweet spot. Try to find partners hungry for resources. You want relationships where people need creative ways to reach their goals and who let you deliver against the premise that you are able to help. If you can't, you may need to focus your resources elsewhere.

Sales Performance Journal contributor Stephanie Molnar is a business and sales writer based in Austin, Texas.

Fast Forward: Choosing and Working With Strategic Accounts

By Sarah Eaton

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.

Sarah Eaton is the contributing editor of the Sales Performance Journal.