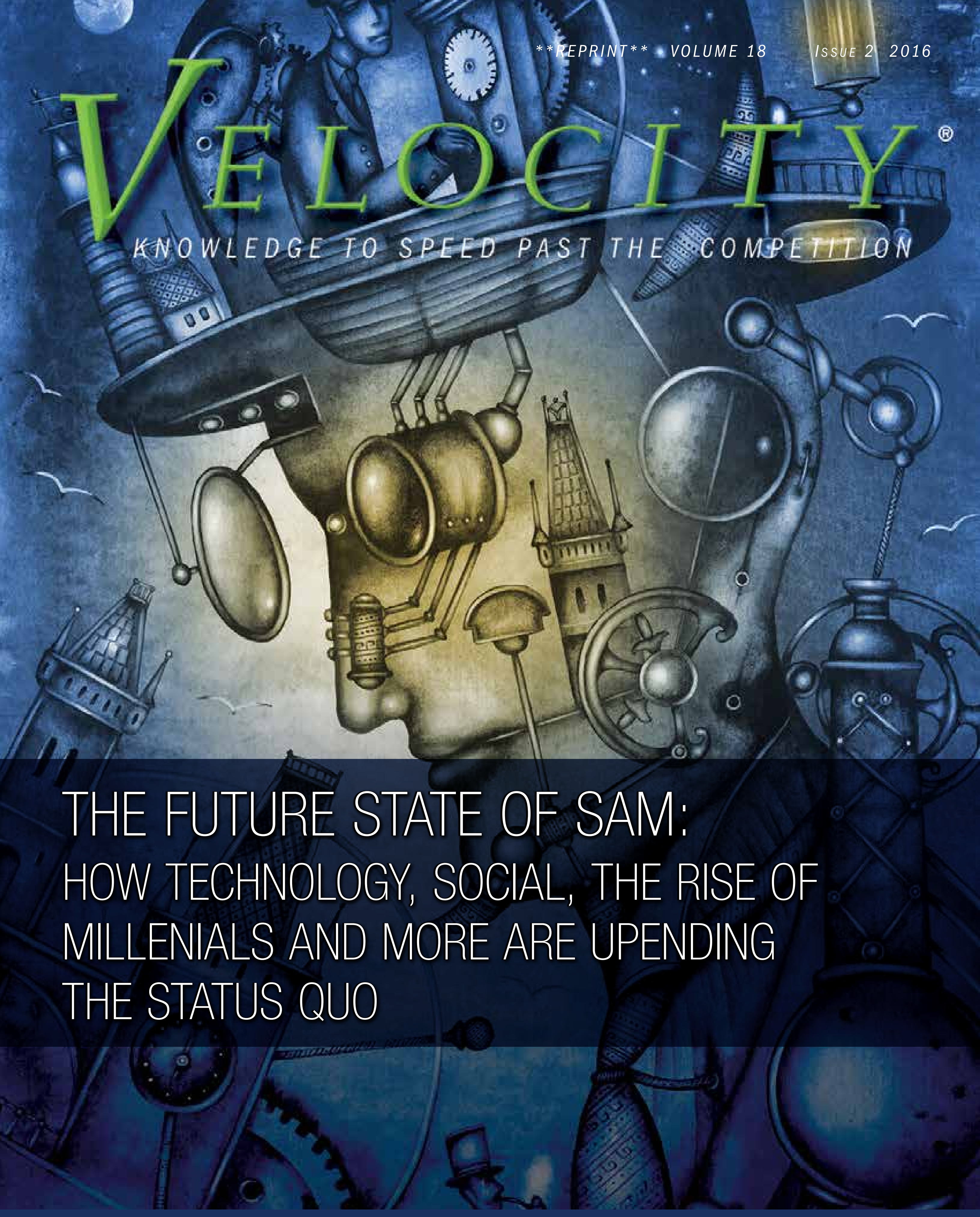

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VELOCITY®

KNOWLEDGE TO SPEED PAST THE COMPETITION

THE FUTURE STATE OF SAM:

HOW TECHNOLOGY, SOCIAL, THE RISE OF MILLENIALS AND MORE ARE UPENDING THE STATUS QUO

STRATEGIC ACCOUNT MANAGEMENT ASSOCIATION

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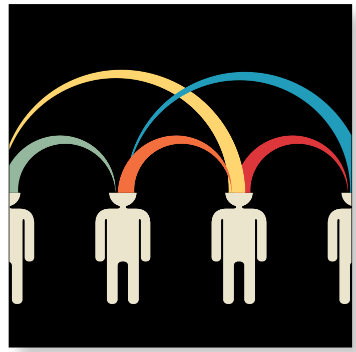

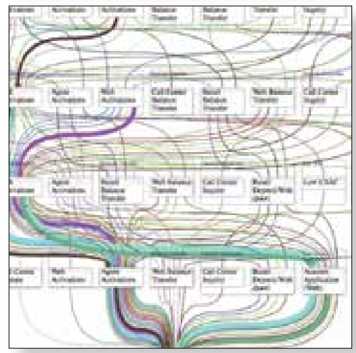

FEATURES

DEPARTMENTS

S A M A

VELOCITY®

A PUBLICATION OF THE STRATEGIC ACCOUNT MANAGEMENT ASSOCIATION

Publisher: Bernard Quancard | Managing Editor: Nicolas Zimmerman | Associate Editor: Gloria Naurocki | Art Director: Aimee Waddell | Advertising: Gus Appenbrink The Strategic Account Management Association is a global knowledge-sharing and networking organization devoted to developing, promoting and advancing strategic customer-supplier value, collaboration and learning.

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EDITOR'S CORNER

What do you know? Another SAMA Annual Conference is about to get underway, and with it comes the new issue of *Velocity*®. Also new this time around is editor Gloria Naurocki, who will take over day-to-day editing duties on *Velocity* from here on out. Gloria has already had a long and distinguished career in writing and editing, association management and education. She's taught business writing, served as marketing director for the American Marketing Association and as marketing and membership director for the American Nuclear Society (among other positions). SAMA feels very lucky to have her.

On to the issue of *Velocity* you hold in your hands. Leading off the issue, communications consultant David Topus writes about the importance, in today's business world, of cultivating your personal brand and linking it to your company's own value proposition. Next, DHL offers a SAMA Excellence Award-winning case study outlining how the company introduced a new business technology platform to optimize the discovery and sharing of customer insights across its organization. It's tremendous, and it's full of meaty details on the rollout and adoption.

Andreas Hinterhuber (of Hinterhuber & Partners) and Todd Snelgrove (vice president for value at SKF) offer us their incredibly enlightening take on a series of persistent pricing myths – and then debunk them with a combination of their own experiences and empirical research.

Following that, we adapt a fantastic webinar from McKinsey & Co.'s Jennifer Stanley on the myriad ways in which the shifting business world is changing the way SAMs need to operate with their customers. Next, SAMA's research general manager, Elisabeth Cornell, presents some key findings from SAMA's latest research report and argues that many companies still struggle to create the right culture and processes to allow the SAM initiative to thrive.

Finally, Ron Davis, executive vice president for global customer management for Zurich Insurance, offers a review of *The Co-Creation Edge: Harnessing Big Data to Transform Sales and Procurement*, the new book co-authored by SAMA President & CEO Bernard Quancard and Francis Gouillart, of the Experience Co-Creation Partnership. ■

Sincerely,

Nicolas Zimmerman
Editor
Strategic Account
Management Association

TO BE OR NOT TO BE…

The nature of decision making in organizations is undergoing radical change. In traditional corporate hierarchies, decision making was once the province of managers. Front line workers and supervisors may have submitted ideas and opinions up the chain of command, but decisions were made at or toward the top. "The front lines were places for execution of decisions handed down from above," Eric J. McNulty, director of research at Harvard's National Preparedness Leadership Initiative, writes at *strategy-business.com*. "It was a measured and often slow process, centralized in corner offices."

Now, however, because speed, agility and responsiveness determine market gains or failure, decisions often can't wait. Executives now need to embed "a decentralized, comprehensible, and coherent decision-making culture, one that ensures consistently superior choices in rapidly evolving circumstances with increasing transparency to a range of stakeholders…"

Here are three steps McNulty recommends for a stellar decision-making organization:

1. Articulate the decision process

"There are many ways to make a decision: You can make a unilateral call. You can take input from multiple sources and then decide. You can take a vote. You can work to consensus. Each of these is valid in the right circumstances. Clearly expressing which approach you prefer achieves several objectives. It keeps you from falling into the rut of always using the same process — and too often coming to the same conclusions. It helps you educate and model good decision-making behavior for others. And it can ensure that you build certainty and clarity through a logical and stable decision-making strategy even when the outcome is not assured."

2. Create values-based guideposts

"Making decisions always involves risk. While getting it right can garner praise, getting it wrong could have serious consequences. It may attract the ire of your boss or a customer. At the extreme, it can be a career-ender. If you expect people throughout the organization, even at lower levels, to take this risk, you must accept that not every decision will play out the way you would hope. Failure is always an option and definitely a possibility. Simple rules for decision making rooted in adding value to the organization," such as establishing and weighting priorities, "foster a willingness to make difficult choices confidently and provide a means for assessing the quality of the decision."

3. Teach decision making

"Because employees today move from organization to organization more frequently than before, it is not enough to assume that long periods of observation and mentorship are sufficient to develop decision-making capacity in individuals. For that reason, it is critical to treat decision making as a core skill worthy of investment in training, just like Six Sigma or any other approach that propels strategic and operational excellence.

"Analytics have driven a revolution in data-driven decision making. However, it is important to remember that driving decisions and making them are two different things — for consequential decisions across a broad spectrum, humans must make the final decisions. And how that turns out should not be left to chance." ■

Adapted from the blog of Eric J. McNulty, director of research at Harvard's National Preparedness Leadership Initiative, *strategy-business.com*.

WHAT DO MILLENIALS REALLY WANT AT WORK? THE SAME THINGS THE REST OF US DO

Companies expending efforts specifically to engage millennials may be wasting time and money, as recent research indicates that millennials in the workforce want the same things as workers of other generations. To wit:

- An analysis by researchers from George Washington University and the Department of Defense of more than 20 published and unpublished studies about generational differences concluded that "meaningful differences among generations probably do not exist in the workplace" and attributed discernable differences to factors such as life stage, which is common to every generation.
- A 2015 study of 1,784 employees in three generations – millennials, Gen Xers and Baby Boomers – from companies across 12 countries and six industries found little difference across 10 variables, including wanting to make a positive impact on their organization. The results were published by IBM's Institute for Business Value in a report titled "Myths, Exaggerations and Uncomfortable Truths: The Real Story Behind Millennials in the Workplace."
- Another 2015 study, commissioned by CNBC, showed similar results. Millennials and employees in other generations rated the importance of six traits they look for in a potential employer about the same. These six traits were ethics, environmental practices, work-life balance, profitability, diversity and reputation for hiring the best and brightest.

- A recent annual employee survey of KPMG's 30,000 employees, a majority of whom are millennials, found millennials favorability ratings on 88 dimensions of morale and work life similar to the ratings of other employees.

Writing in the *Harvard Business Review*, KPMG's Vice Chair of Human Resources and Communications Bruce N. Pfau also reported that, in an initiative to share stories about employees' "higher purpose at work," millennials were expected to have higher participation rates than other employees, but "participation rates across the generations were essentially the same." He added that voluntary turnover rates for millennials at KPMG have been steady for "at least the past two decades."

So why do employers feel they must make special efforts to engage millennials?

Pfau has some ideas:

- Reliance on faulty research and "the speculations of profit-oriented consultants"
- Attention paid to the most provocative headlines; highlighting differences makes for sexier headlines than drawing attention to generational similarities
- Desire to keep current with the latest thinking
- Tendency to follow the crowd
- Avoidance of having to address "broader and more difficult (total) workforce engagement issues such as workload, career development, sufficient financial reward and meaningful work.

In his 2002 book *The Human Capital Edge*, Pfau and a co-author found that employees across demographics desired the same things from their work:

- Pride in their workplace
- A working environment that helps them succeed
- An inclusive culture where they are respected, valued and treated fairly
- Work that has purpose and is fulfilling and enjoyable

These four key considerations, he writes, "continue to recur when employees are deciding whether to join, give their best effort or stay at an organization. And they appear to stand the test of time."

"Companies that create environments in which employees answer each of these four questions with a resounding 'Yes' – regardless of their generation – are those most likely to win the war for talent." ■

Adapted from: Bruce N. Pfau, Ph.D. "What Do Millennials Really Want at Work? The Same Things the Rest of Us Do" *HBR.org*, April 7, 2016

2016/17 event calendar

2016

July

19-21: SAMA University – Baltimore

August/September

30-1: SAMA Academy – Singapore

September

13-15: SAMA Academy – Berlin

October

4-6: SAMA University – Miami

25-27: SAMA University – Chicago

November

8-10: SAMA Academy – Istanbul

2017

March

6-8: SAMA Academy – TBD

9-10: Pan-European Conference – TBD

May

23-25: SAMA University – Washington, D.C.

23-26: SAMA Annual Conference – Washington, D.C.

For further information, please visit SAMA's website at www.strategicaccounts.org, or contact Rhodonna Espinosa, senior manager of meetings and registration, at espinosa@strategicaccounts.org or 312-251-3131, ext. 38.

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A BETTER WAY TO CUT PEOPLE OFF IN MEETINGS

Meetings: They can be great forums to generate new ideas, think outside the box or solve problems. But they can also be a waste of everyone's time because, even with an agenda, it's all too common for attendees to drift off topic. Getting people back on track can be awkward, and the interruption can make everyone feel uncomfortable. Writing for HBR.org, Bob Frisch and Cary Greene propose a simple way for you to get a meeting back on track without being hostile toward productivity hijackers: the word "jellyfish."

"Jellyfish are, of course, those funny-looking creatures with no brain, no blood, and no heart that have drifted along on ocean currents for millions of years," Frisch and Green write. That's why they provide such a good analogy for what often happens in meetings: unthinkingly drifting off topic without regard to the original purpose of the meeting.

To prevent meetings from veering off message, they write, introduce "the jellyfish ground rule: If any attendee feels the conversation is heading off course or delving into an inappropriate level of detail, they can and should employ the word to indicate that opinion by simply saying 'jellyfish' or 'I think we're having a jellyfish moment' or 'Gee, did I just see a jellyfish swim by?' It's a catchall for 'Why don't you take this offline — the rest of us would like our meeting back.'"

There are several reasons why the jellyfish ground rule is so effective.

1. It's safe.

"The word is both simple and funny, and if set up correctly at the start of a meeting, it carries the same effect as other more traditional (and less comfortable) ways of interrupting and redirecting the conversation. Of course, you can pick another, similarly silly word, but we've been using this one for years and have found that people — indeed, entire organizations — quickly embrace it.

2. It's accessible.

"Anyone can invoke it. The meeting owner or facilitator may be the first to use it, but they don't have to be the only one. Any participant can ask, 'This feels like jellyfish. Do you agree?' prompting the person or people on the tangent to ask themselves if they are using the group's time well."

3. It raises awareness.

"When meeting participants know that jellyfish will be used, they can't help but become more self-aware about staying on topic."

Next time you're on a conference call and someone spins off topic, think about a certain transparent sea creature. ■

Adapted from: Bob Frisch and Cary Greene, "The Right Way To Cut People Off In Meetings," *HBR.org*, April 8, 2016.

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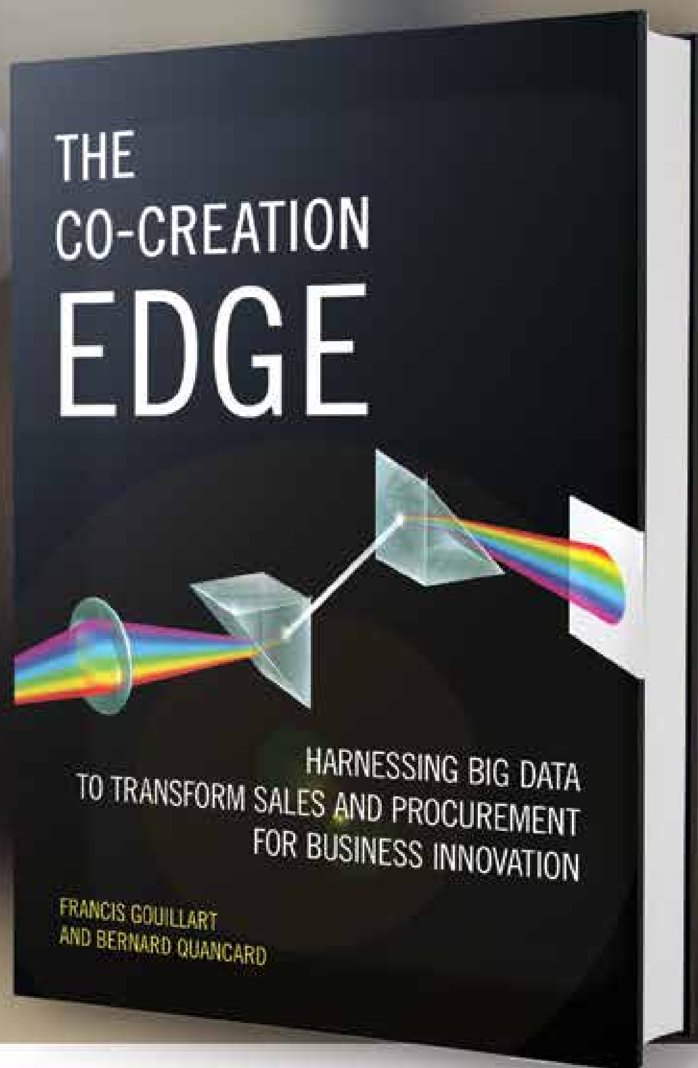


"The Co-Creation Edge: Harnessing Big Data to Transform Sales and Procurement for Innovation"

By Francis Gouillart, president and founder, Experience Co-Creation Partnership
and
Bernard Quancard, president and CEO, SAMA

Rapid changes in business along with better informed customers threaten the traditional sales and procurement process. Sales and procurement professionals have a bright future ahead of them if they can respond to six trends that the authors have identified in the business-to-business world. Each trend offers an opportunity to develop a new skill for sales and procurement professionals and adopt a new practice. SAMs and senior buyers will either evolve into high value-added sales and procurement professionals, or disappear.

Percentage of B2B customers who are at risk:

71%

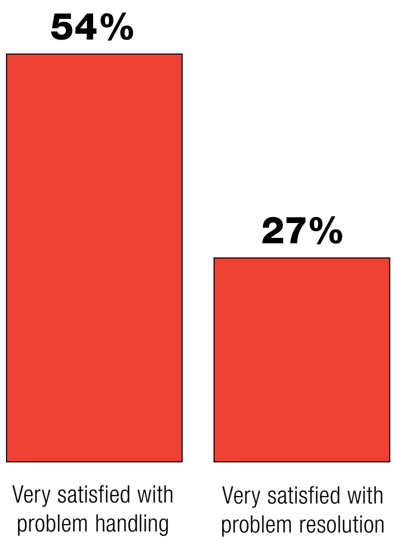
Percentage of B2B customers who believe their problems were not resolved by their supplier:

60%

Problem handling vs. problem resolving

Customers who are happy with **HOW** their problems are handled are more engaged than customers who are happy with the resolution itself.

Fully engaged

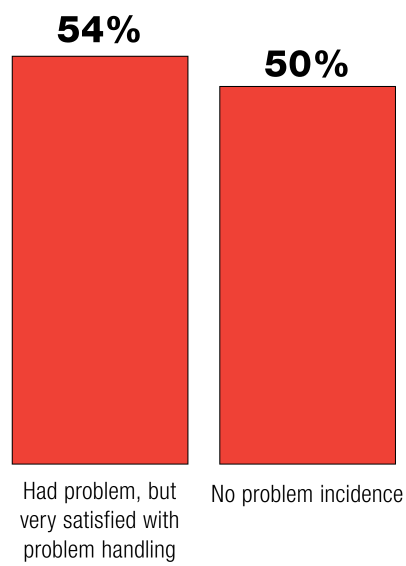


Source: Gallup

Problem handling can benefit engagement

Customers who are very satisfied with the way their problem was handled are more fully engaged than customers who didn't encounter any problems in the first place.

Fully engaged



But it's not enough to just get your customers engaged. You also have to demonstrate that you're impacting their business results. In one analysis, customers who are both fully engaged and feel impacted by their suppliers contribute significantly more to their suppliers' than customers who are *only* engaged. Gallup analyzed two lines of business for a client company.

BUSINESS LINE A

↑ **31%** Customer share

↑ **20%** Earnings

BUSINESS LINE B

↑ **9%** Customer share

↑ **26%** Earnings

Source: "Guide to Customer Centricity: Analytics and Advice for B2B Leaders," Gallup 2016.

WHAT DO CUSTOMERS THINK OF WHEN THEY THINK OF YOU?

By David Topus
Founder and President
TOPUS Executive Branding

Look at any successful company or product marketing campaign and you'll see a strong brand – a shape, color, phrase or even a sound – that creates a perception of what the company or product stands for and the value it delivers. Brands give companies and products personality and identity – they shape what customers (and the world at large) perceive about that company or product. Think about the red Nike swoosh, the distinctive star on the front of Mercedes, GE's phrase "We Bring Good Things to Life," or any of the hundreds of other brands we see and hear about all day long. These branding elements take what would otherwise be a generic company or product and make it desirable, appealing and special.

As a strategic account manager, your *personal* brand – especially one that aligns with your company brand – can be one of your most valuable professional assets. It can differentiate you, position you and make you more desirable to your customers. In fact, never before has a personal brand been so relevant, as customers increasingly look to you as an extension of your company's value proposition and rely upon you personally for your insight, expertise and subject matter knowledge. Add to that the increased transparency of the internet, and you can see how managing your personal brand is so relevant. Having a well-recognized reputation will strengthen your value in the minds of customers, making you the "go to" person in the industry you serve.

You may have noticed there's a lot of conversation online and elsewhere about the topic of personal branding. It is relevant because of how the process of selling – and what is important about being a salesperson – has changed over the decades. In the 1950s and 60s, when competition was minimal and markets were less crowded, relationships ruled. And while they're still important (and always will be), technology and engineering advances in the '70s and '80s put the focus on product attributes. In the '90s and early 2000s the company brand created the advantage in the marketplace. Today it's you – what you know, the value you create for customers and how you are perceived in the marketplace.

As a strategic account manager, your *personal* brand – especially one that aligns with your company brand – can be one of your most valuable professional assets. It can differentiate you, position you and make you more desirable to your customers.

Your expertise, reputation and personal style are the game changers.

So how do you build a compelling personal brand that supports your ongoing sales efforts and makes you a sought-after resource by your customers? The ultimate goal is to become a recognized presence in your industry, and while it can take years to build that kind of reputation, building a personal brand is like building anything else – the sooner you start, the sooner you reap the rewards.

Here are some simple steps to get started. First, make sure you have a well-crafted LinkedIn profile summary – one that blends your unique personal traits (there are tools and processes to help you define these) with your company's brand. Customers are likely to look there first for your professional background, credentials, expertise, knowledge and insights. If your company's brand is rooted in innovation, talk about how you bring new ideas to your customers. If your company's brand is associated with speed and agility, describe how you can quickly assess customer issues and respond with practical solutions. If customer satisfaction is the core of your company's brand, describe your working style as highly customer-centric and give some examples.

Then be active online and off – weigh in on group discussions, post content and articles and follow industry-related thought leaders on LinkedIn and other industry-related internet platforms. Participate offline in industry-related trade association events, conferences, etc. Additionally, consider adding a tagline in your email signature, on your LinkedIn heading, on your business card – anywhere your name appears. This is a simple yet high-impact first step toward building your brand.

Of course, you will always want to update your branding content, adding new credentials, capabilities, experiences, customer successes and other current information as it evolves.

Regardless of how complex and competitive markets become, relationships will always be critical. And product performance will continue to drive buying decisions, as will a strong company brand. But these are the days where your knowledge, insight and expertise add an essential dimension to the sales process. With transparency inescapable, having a reputation for the unique value you bring as an extension of your company's brand will go a long way in differentiating you and giving you the competitive advantage that's essential in today's environment. Figure out what makes you special, make sure it's clearly articulated, increase your visibility and go forth and prosper! ■

David Topus is a communication consultant and trainer who specializes in turning reputations into revenue for companies, sales teams and individuals. Previously, he worked in advertising and marketing with *The Wall Street Journal*, *Washington Post* and *IDG Communications*. You can reach him at 770-587-0700 or dtopus@topus.com.

IMPLEMENTING A NEW BUSINESS TECHNOLOGY PLATFORM TO OPTIMIZE SHARING AND DISCOVERY OF CUSTOMER INSIGHTS: A DHL CASE STUDY

By Sebastian Sprenger

Vice President, Marketing & Sales Enablement

DHL Customer Solutions & Innovation

and

Anand Kulkarni

Vice President, Customer Visibility & Performance Management

DHL Customer Solutions & Innovation

At SAMA'S 51st Annual Conference, in May 2015, DHL was on hand to accept the 2015 SAMA Excellence Award™ for "Use of business and/or social technologies to optimize the discovery and sharing of customer issues and insights." What follows is a minimally edited version of DHL's award-winning submission. For more information on the SAMA Excellence Awards™, please visit www.strategicaccounts.org/About/SAMAExcellenceAwards.

DHL Customer Solutions and Innovation (DHL CSI) was called on to support the growth ambitions of the Deutsche Post DHL Group, necessitating operating in an enhanced customer management model, instilling a stronger performance culture, maximizing sales efficiency and overcoming significant system limitations. Responding to these challenges, DHL CSI implemented a new business technology platform to optimize the cross-organizational discovery and sharing of customer issues and insights. The two key pillars of this platform are a salesforce.com-based customer relationship management (CRM) solution and a Microsoft Business Intelligence suite for analysis and data processing.

Since rollout, there are high levels of user satisfaction and adoption of the new platform. Customer information is more efficiently accessed and shared, and account management teams are better at time allocation and focus. There are measurable improvements in the contacts database, pipeline robustness and sales performance. DHL CSI has also successfully strengthened the performance culture and enhanced the communications mindset, and these new technologies have received strong management support.

SAMA Excellence Awards in Strategic Account Management

Company and business background

Deutsche Post DHL Group is the world's leading mail and logistics company. The Group is focused on being the first choice for customers, employees and investors in its core business activities worldwide. It makes a positive contribution to the world by connecting people and enabling global trade while being committed to responsible business practices and corporate citizenship. Deutsche Post DHL Group operates under two brands: Deutsche Post is Europe's leading postal service provider. DHL is uniquely positioned in the world's growth markets, with a comprehensive range of international express, freight transportation, e-commerce and supply chain management services. Deutsche Post DHL Group employs approximately 500,000 employees in over 220 countries and territories worldwide. The Group generated revenues of more than 59 billion Euros in 2015.

DHL CSI

The industry's first global account management program was established in 2004, and today DHL CSI simplifies the customer experience by:

- Providing a single customer interface at a global and regional level

With each account team typically acting and collaborating across divisions and regions in a diverse and dynamic environment, greater system support was required for joint account management.

- Delivering cross-Deutsche Post DHL Group coordination
- Developing innovative industry-tailored solutions for top customers

DHL CSI aims to become the "Provider of Choice" for all of the key accounts that it serves, representing revenue in excess of 10 billion euros for the Deutsche Post DHL Group.

The business challenge

The overarching challenge for the DHL CSI team was to support the growth ambitions of the Group and the DHL business divisions. These ambitions have been confirmed by Deutsche Post DHL Group's "Strategy 2020" along with the intention of becoming the global "Provider of Choice," "Employer of Choice" and "Investment of Choice." DHL CSI, with revenue from its key customers representing almost 20 percent of total Group revenue, was expected to make a significant contribution to these ambitious goals.

New ways of working

In 2013 DHL CSI enhanced its customer management model, adding a new account management approach to provide more customers with a single point of contact and ensure a consistent cross-organizational customer experience. This made close collaboration between CSI and the divisions even more critical.

These improvements required new ways of working. Each DHL CSI global customer manager now collaborated and drove sales with an account team across regions and divisions. New demands were placed on the account management systems. With each account team typically acting and collaborating across divisions and regions in a diverse and dynamic environment, greater system support was required for joint account management. More system support also was needed for the new and unique requirements of key account management processes such as pipeline management, customer development planning, and the discovery and sharing of customer issues and insights.

In addition to implementing a new customer model, the DHL CSI leadership team wanted to instill a stronger performance culture within the unit. This culture would enhance proactive customer engagement, drive more effective research and rehearsing (following DHL's sales methodology and training program) and lead to higher-quality outputs, mutually benefiting the customers and Deutsche Post DHL Group.

It became clear that these challenges could only be effectively addressed by establishing a robust technical platform to:

- Minimize the data entry and administrative efforts of DHL CSI global customer managers, allowing them to focus on their core tasks
- Maximize DHL CSI's discovery and sharing of relevant customer issues and insights with sales teams in all regions and divisions

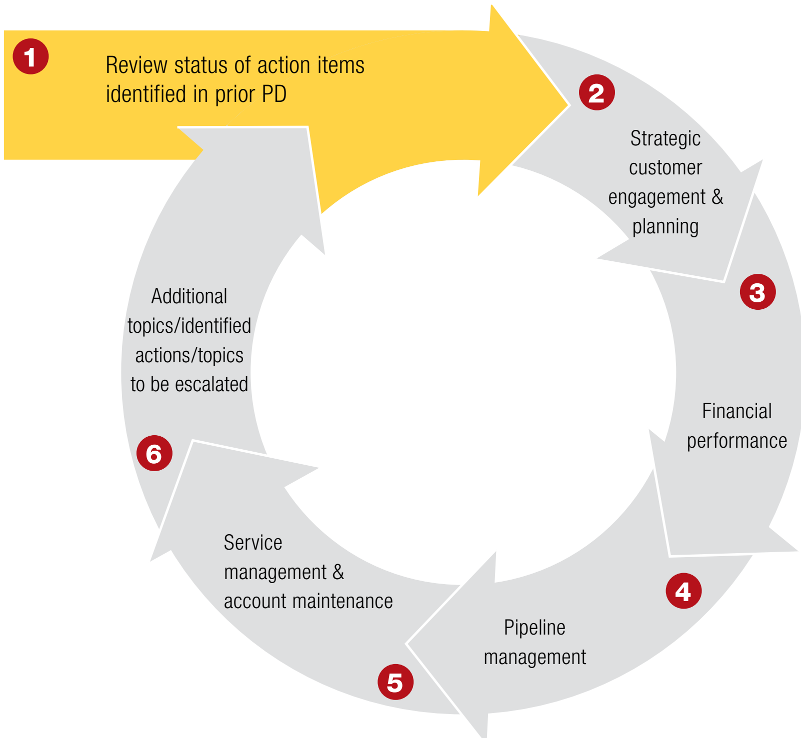
This technical platform was required to be:

- Robust enough to host the full account management process landscape
- Flexible enough to accommodate the complexities between CSI and the divisions, among regions, and allow for future adaptations in a dynamic business environment
- Sophisticated enough to ensure data consistency across processes and hierarchies, since only if the same data is referenced and used across the entire organization (regardless of region, sector, division, hierarchy level or account-management process) would DHL CSI be able to align account management activities and maximize resource efficiency

A review of the existing system landscape revealed significant limitations to support the go-forward business requirements and ambitious growth targets. For example:

- Many account management processes were supported by distinct systems and tools with limited ability to interface with each other and with divisional systems.
- Existing systems were limited in their ability to support a true cross-organizational sales approach (e.g., some were unable to concurrently accommodate different pipeline methodologies).
- Data entry requirements for the different users were significant, and, in some cases, the same or very similar

Figure 1: The performance dialog process follows a best-practice structure.



information had to be entered into multiple systems.

- CSI was limited in its ability to reflect live data in reports.

Implementation

To address these challenges, DHL CSI implemented a new business technology platform comprising two key pillars:

- ACE, the salesforce.com-based CRM system, to serve as a one-stop platform for DHL CSI global customer managers and sales leaders and to host all account management processes
- MSBI (Microsoft Business Intelligence), to complement salesforce.com and add required analysis and data-processing capabilities.

ACE implementation ACE provided an effective platform to better drive account management processes, including the customer contacts database, pipeline management and more. And ACE allowed easy information sharing and collaboration between the DHL business divisions and DHL CSI. Interfaces were established with divisional CRM systems, allowing for exchange of pipeline and other data in both directions. To minimize admin and data entry effort, data entry requirements were mapped and streamlined. This ensured that once data was entered for one process, other processes could make use of that data without any need to reenter information. To generate relevant insights, DHL CSI set up dynamic dashboards and reports that allowed a consistent and live view of key performance metrics and customer issues and insights.

MSBI implementation DHL CSI also wanted to improve access to in-depth data and customized reports. A key requirement was the provision of a single user interface to the DHL CSI global customer managers to enhance their user experience and also to increase productivity. To complement ACE, the MSBI suite was selected as the easy-access tool to provide comprehensive customized reports and in-depth datasets – putting everything at the fingertips of each customer manager. All reports and data sets maintained in MSBI can be accessed via ACE, thus providing a one-stop-shop approach for customer managers.

Pipeline management As CSI managed the pipeline across divisions, a joint view of the opportunities was needed across divisional systems and pipeline methodologies. This was achieved by identifying and displaying common milestones within the pipeline processes for the various DHL business divisions. After developing an overarching common pipeline process across all of these divisions, DHL CSI went on to source data from various pipeline systems.

Customer development plan (CDP) The CDP is DHL CSI's strategic account plan. It compiles all key information about the customer, its relationship with DHL, future objectives and actions with the account. DHL CSI migrated an existing account plan process onto ACE, which describes how to grow the customer relationship and share of wallet with specific actions.

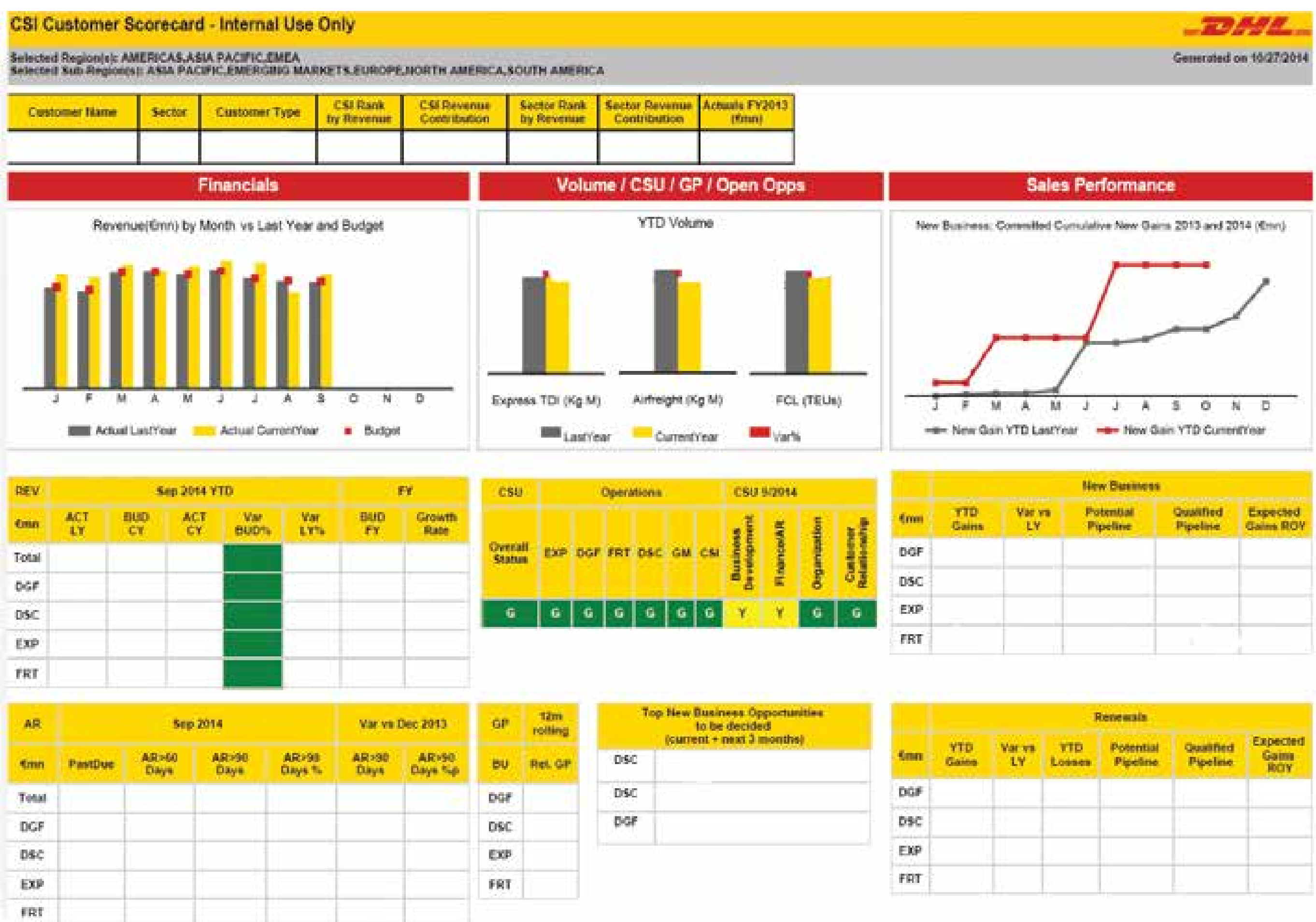
To optimize CDP processes in the ACE CRM system, DHL CSI created a control center to collate all relevant and existing information on each account from across the platform. Relevant modules like pipeline opportunities, customer revenue, customer profile, customer contacts, satisfaction survey insights, objectives and actions would all be included. The CDP is accessible to the entire account team and management team via ACE, and provides a live view of the latest document status. An export mechanism enables easy generation of standard PowerPoint presentations, which can be shared with anyone who is not on the ACE platform. This freed up time and shifted the focus from compiling information to developing account strategy.

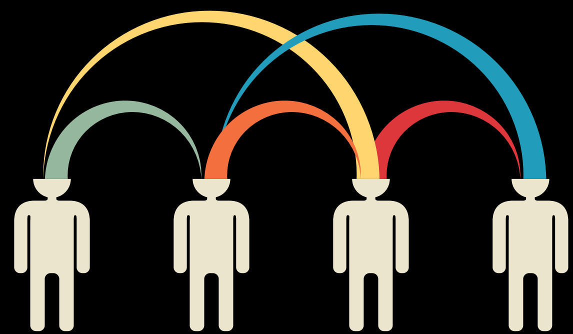
Customer status update (CSU) DHL CSI also added the customer status update process to ACE. Each update delivers a monthly customer-specific round-up of the latest developments, issues and insights. It also tracks relevant action items, providing a channel for escalating issues to DHL CSI and global senior management teams in DHL business divisions. To optimize the update process in the ACE system, DHL CSI generated a standard CSU report that pulls in relevant data from across the platform and distributes the finalized document on a monthly basis to the extended account team, executive sponsor and other stakeholders. An export mechanism in ACE enables easy export of the CSU into a PDF for sharing further. When relevant CSU input, such as account or pipeline information, is already available through other processes in ACE, the CRM platform facilitates pre-population of the CSU and provides easy links to information like current customer issues and actions.

Performance dialog To realize its performance culture as part of the organizational DNA, DHL CSI developed the concept of a "performance dialog." This is a regular, structured discussion – typically between a DHL CSI global customer manager and a DHL CSI sales leader – about holistic customer performance, including strategic direction, financial results, sales pipeline development and implementation topics. (See Figure 1 on page 18.) The discussion is based on a trusted set of account-performance data.

It is essential to have a trusted data set, as this ensures discussion on customer-centric topics and not on figuring out which data is the latest, most accurate or

Figure 2: The performance dialog scorecard is a great example of how different data sources are now pulled into a coherent aggregated scorecard.





Less time is spent struggling to compile and update customer information. Less time is spent communicating and escalating issues. And more time is spent sharing information in a structured way, focusing everyone on short-term issues, pipeline development and strategic planning.

relevant. However, prior to implementing new business technologies, the existing systems landscape – with myriad tools, applications and related offline file distribution – could not deliver trusted data sets supporting forward-looking, customer-centric discussions.

Customer scorecard To achieve this, DHL CSI developed a customer scorecard providing a holistic view of account performance. The scorecard includes financial metrics (revenue, accounts receivable, gross profit, volume development), pipeline metrics (new business and renewal gains, pipeline size and expected gains) and customer issues with a traffic light overview. (See Figure 2.)

Customer relationship management / performance dialog The DHL CSI implementation team went beyond merely providing this scorecard to also creating links to the latest underlying data sets containing the financial and pipeline development information.

The benefit of this combined approach was that the scorecard can now help identify any topic that requires in-depth analysis, and the detailed trends for this type of deep-dive discussion are available via the data sets. All of the data sets also can be accessed via a single page in ACE. It is even feasible to set up performance dialogs via ACE and, as part of the dialog, to follow up on agreed action items. Thus, the entire process – from scheduling a performance dialog and obtaining overarching summary statistics as well as data for deep-dive discussion to logging and following up on actions – can be managed within ACE.

The change management effort The scale of the required change management effort was scoped out during the discussion and preparation leading up to the introduction of these new business technologies and processes. Across the organization and at every level, we kept everyone up to date and made it clear that change was needed. The DHL CSI team ensured that it tapped and made use of specific expertise from various business functions and kept all senior stakeholders fully and promptly apprised of developments.

The overarching change management effort involved various entities:

- A cross-functional project team composed of technical and process experts
- A "sounding board" composed of relevant stakeholders who, throughout the development process, provided consultation and perspective on how best to gather, quality check and share information
- A steering board composed of senior management representatives, who provided guidance and approvals at specific milestones throughout the implementation
- Selected end users. The DHL CSI team placed special emphasis on obtaining input from selected end users as well as senior stakeholders.

The change management effort also incorporated extensive technical process training as well as best-practice sharing for all users.

Comprehensive communication To ensure that everyone in the organization was aware of the latest rollout updates, and to initiate and maintain the excitement associated with transition to the new business technologies and processes, DHL CSI created a comprehensive communication plan. This plan culminated in a "hyper-care" phase immediately after rollout. To support customers and Deutsche Post DHL Group users, DHL CSI formed a hyper-care team to promptly answer all queries and escalate any unresolved issues; it also conducted regular Q&A calls with the users.

Results and outcomes

High levels of user satisfaction and adoption A recent survey and usage study reveals a high level of acceptance among users of the new business technologies. ninety-one percent of DHL CSI global customer managers are "very satisfied" or "satisfied" with ACE as their new account management system. Platform usage has steadily improved, and in 2015, more than 70 percent of users logged in daily or multiple times per week.

More efficient access and sharing of information The new business technologies have enabled more efficient discovery and sharing of customer information between all DHL CSI departments, across all sales and account management levels, and across business units – a truly cross-organizational achievement.

Valuable customer pipeline data is now synchronized and integrated, instead of DHL CSI and the business units maintaining separate sets of pipeline information. When updates occur – for example new customer requirements, contacts, decision making and other status items – this information is added to the central repository so that everyone remains up to date with all customer opportunities. Customer status updates (CSUs) are shared with the extended account team, and actions are fully transparent in the system. Issue escalation status and resolution can be tracked. Customer development plans (CDPs) are jointly developed with the entire account team on the platform and easily shared with any other party that requires access.

Better time allocation and focus More time is being spent with customers. Account teams enjoy a greatly reduced administrative workload, and they can now put more time into customer strategic insights. In addition, more time is spent being proactive. Instead of reactively chasing reported issues and consolidating this information, account teams can find everything they need in one place. They can put the time they save to much better use by being proactive and ensuring continuous improvement.

Furthermore, information is more usefully shared. Less time is spent struggling to compile and update customer information. Less time is spent communicating and escalating issues. And more time is spent sharing information in a structured way, focusing everyone on short-term issues, pipeline development and strategic planning.

Measurable improvements in the contacts database, pipeline robustness, and sales performance The introduction of the ACE system and its support of performance dialogs have achieved the following measurable improvements:

- Contacts database: The DHL CSI contacts database has doubled in size. In addition, the quality of this database is now extremely high, as all contacts are checked and updated on a regular basis.
- Pipeline robustness: The quality of the pipeline has improved significantly; today, outdated pipeline opportunities amount to a mere 2 percent.
- Sales performance: The numbers for impact on sales performance speak for themselves:
  * Net gains (new gains minus renewal losses) have doubled year-on-year, boosted by increasing new gains and decreasing renewal losses
  * Average gain size has increased significantly. There has been a year-on-year increase of 26 percent in the average size of the gained opportunity, indicating that higher-value opportunities are being successfully pursued.

Strengthened performance culture; enhanced communication mindset The existing performance culture has been strengthened further by the new business technologies. The performance dialog process supported by ACE has now been successfully implemented across DHL CSI at all levels, including the Chief Commercial Officer. This is due in no small part to the uniform availability of information on customer insights and issues and the 24/7 accessibility of data that is consistent and up to date. The implementation and easy access to the customer scorecard and the detailed underlying data have made it much easier to identify and deep-dive into any potential customer issues – literally in a matter of a few mouse clicks. Solutions to potential issues can be developed in a proactive manner, which has contributed hugely in furthering the DHL CSI performance culture of proactive customer engagement. In addition, the regularity and structured approach of performance dialogs has led to more transparency of account performance and potential customer issues, and to an easier cascade of information throughout the organizational hierarchy. This is greatly enhancing the DHL CSI communication mindset.

Management buy-in and support Because of these positive results, there is strong and ongoing management support for platform expansion. Several additional ACE-supported processes have been added to the roadmap, and DHL CSI has initiated discussion on how to migrate more functions to the platform. For example, there is currently discussion on how to incorporate the DHL CSI service management organization into the new platform. The ACE CRM system is now well on its way to becoming – as intended – a true one-stop platform for all account management activities. ■

Sebastian Sprenger is DHL CSI's vice president for marketing & sales enablement. Anand Kulkarni is DHL CSI's vice president for customer visibility & performance management.

PRICING MYTHS: A CONVERSATION

By Todd Snelgrove
Vice President for Value
SKF

and

Andreas Hinterhuber
Founder and President
Hinterhuber & Partners

Andreas Hinterhuber: What our research at Hinterhuber & Partners has found is that many of the current pricing strategies are not driven by what the current textbook best-practice would suggest but frequently a series of unexamined myths or misconceptions. Much of the pain, in other words, is self-inflicted.

Todd Snelgrove: Some companies will say that pricing is part of the *Four Ps of Marketing*, so this is not even really a SAM responsibility, it is a back-office function. Do you have any comments in regards to that?

AH: I think pricing is, of course, an element of the *Four Ps* and, as such, it needs to be managed. But most frequently, it falls between the cracks. In many companies, there is a function such as chief pricing officer that has a very strong stewardship role in pricing. But if this function is not yet established, then the next natural place to locate responsibility for pricing is a commercial function such as strategic account management. Strategic account managers (SAMs) know their customers, negotiate deliveries, are responsible for the delivery of the overall solution to customers, and so a SAM should be heavily involved in pricing.

TS: Great point. If nobody owns it, nobody is going to manage it and make it better. You talk about the difference between "price setting," which happens in the back office, and "price getting," which is the SAM's role and is the difference between what we think we should charge and what we actually get. In North America today, when a lot of companies are happy to have a 10 percent net profit, 1 percent effective "price getting" affects your total profit by 10 percent. So every percent is worth fighting for.

Let us get into our price-setting myths. **Myth #1: Costs are the basis for pricing**. What do you mean there?

AH: The dominant assumption is that, in order to set prices, the most effective basis is cost. Many B2B companies emerged from a technical background, and they are basically in love with cost-based pricing. In order to break this myth, I would like to cite an example from the B2C world. First, we all know that metallic paint on a car will cost you anywhere between 500 and 2,000 euros. But the car needs to be painted anyway, so the incremental production cost is a negligible amount, typically around 50 or 80 euros per car.

Strategic account managers (SAMs) know their customers, negotiate deliveries, are responsible for the delivery of the overall solution to customers, and so a SAM should be heavily involved in pricing.

Of course, car companies understand that they should not set prices for this feature based only on cost, and so they ask themselves, "How much is the customer willing to pay?" You see this also in airlines, where people pay between 15 and 25 euros to board their flights early because customers are willing to pay for the privilege.

I think the tectonic shift that we need to make in order for pricing to become a true driver of profit is to focus less on what our costs are and more on what the customer gets, how the customer benefits. It should be based on the incremental profitability improvement the customer experiences by utilizing our products or processes.

TS: I am smiling here because, even for a global engineering company like SKF, just understanding what your actual costs are is an interesting road to travel. Because even if you start with the question of what this is worth to the customer, you have to know what your own costs are to determine whether it makes sense. Too often, companies assume that there is value for the customer that is not actually there; so costs need to be checked, albeit it should be the last check box when determining price.

AH: The fundamental insight here is that you invert the traditional pyramid. You start with value, look at the most relevant competition, and then you do the cost check last.

TS: Let us move on to **Myth 2: Small price changes have little impact**. Like I mentioned earlier, the 1 percent price improvement can impact a company's net profit by 10 percent. And one thing I always find funny is, at least in my industry, customers always tend to think in terms of 5 percent increments.

AH: The talking point here is that current research shows that small changes in price have a dramatic impact on profitability, as I cited earlier. If the profitability is lower, then small changes will have an even more dramatic effect on overall profitability. Many account managers tend to formulate their thought process around 5 and 10 percent increments. They probably should be examining their discounting structures, moving from 5 or 10 percent discounts to something more fine tuned.

One area to look at is cash discounts. In many European markets, suppliers typically offer customers a cash discount of 2 to 3 percent for payments within 7 to 10 days. With solid customers, that is actually a very expensive way to get money. So I would invite the SAM to reexamine the payment terms and look for whether the cash discount of a given

Source: Hinterhuber, A. (2016). The six pricing myths that kill profits, Business Horizons 59(1): 71-83. (c) Elsevier, 2016, all rights reserved. Reprinted with permission.

Many account managers think, "Well, if I grant my customer an extra 5 percent discount, it reduces my revenues by 5 percent. But at least I have the deal." But what many do not seem to realize is that, if you are operating with a very thin profit margin, then that can literally wipe out the profitability of the deal.

magnitude can be tailored to the specific circumstances of each individual customer, such as credit risk, overall customer profitability or other metrics.

I think the fundamental idea is that pricing has such a strong impact on profitability that we need to examine a number of items, on- and off-invoice. But many account managers think, "Well, if I grant my customer an extra 5 percent discount, it reduces my revenues by 5 percent. But at least I have the deal." But what many do not seem to realize is that, if you are operating with a very thin profit margin, then that can literally wipe out the profitability of the deal. So it really comes down to getting the details right – not just the high-level picture, but the nitty-gritty details. If you give me a penny every day, these small pennies add up to a lot of money. And this is the mentality that every SAM or KAM would be well-advised to adopt.

TS: Absolutely. **Myth #3: Customers are highly price sensitive**. In other words, the perception is that customers will switch to another competitive supplier to save just a little bit. But your research says that more people are focusing on total cost of ownership than on initial price.

AH: The research is very clear: Customers in B2B are more concerned about total cost of ownership or total value of ownership than they are on price, and I think every SAM should reflect on this finding. Now remember: it is literally in the job description of the purchasing manager to convey to the sales manager or account manager the idea that it is all about price. But we should not forget that the decision in B2B purchases is, in many cases, ultimately not made by the purchasing function but by the business function. And this person has to be concerned with the benefit versus price, and the business function would make a big mistake to consider only price.

TS: I love how you use the term *total value of ownership*, which is just an evolution of total cost of ownership. The only caveat I would offer is that the value had better be tangible, it had better be measurable, and it had better be understandable to the procurement person and the business unit. It cannot be the soft promises of things but rather the business case showing that paying more actually will result in a better return for the company.

Myth #4: It is difficult to differentiate products or services in today's market, when everything looks the same or there is a substitute that meets the same minimum specifications.

AH: My own modest thought is that if you think of your product or service as a commodity, then your product or service will be a commodity. The best example is again one from B2C, where General Motors and Chrysler were convinced that customers would shop first, second and third on price. And what that meant was that these companies marketed cars that they considered to be interchangeable, and these cars were basically sold mainly through incentives or discounts, and they did, in fact, become commodities. Now contrast this with Volvo or BMW or Mercedes, which would magnify the small differences in their cars – for example, safety for Volvo or comfort for Mercedes. These small differences made a huge difference in the consumer's perceived value.

These principles apply in B2B as well, of course. B2B marketers thus need to understand what drives value for the customer from the customer's perspective. A question B2B marketing and sales managers should ask is: "How can

The value had better be tangible, it had better be measurable, and it had better be understandable to the procurement person and the business unit.

I take small differences in product specs and features and highlight their impact on customer profitability and customer operations?"

Put differently: There is no such thing as a commodity. Any product, service, or solution can be differentiated. Products become commodities only if and when B2B marketing and sales managers treat them as such.

TS: Great stuff here, although I would like that word that starts with a "C" taken out of the dictionary because there are very few products or services that really fit the definition. Now, one thing a procurement professor told me once – and remember, this came from a procurement expert – that procurement professionals confused the concept of International Standards Organization (ISO) conformance standards with performance standards. Just because something meets the size, width and dimension, that is a *conformance* standard. It is not the same as a *performance* standard. Just because two products may look the same, it does not mean they will perform the same, either because of the product itself or all the things done around the product.

One last note here where I think marketing organizations sometimes fall short. Gone are the days when it matters much, for instance, how long you have been in business. As long as you are big enough and have been around long enough and can deliver, you need to be focusing on what is different – what creates measurable value that can be shown to the end user of the product or service.

AH: Perfect. And let us not forget that when you talk about value-based pricing, this is actually shorthand for *customer* value-based pricing. You need to guard against mindless differentiation. There is nothing more annoying for a customer than an account manager telling them 20 or 30 different ways their product is different. If customers feel that this difference is not relevant, they simply will say: "I do not care." So again, it all starts with understanding the customer's unmet needs, understanding the impact of your own product or solution on the customer's key metrics.

TS: So we are back again to one of the primary jobs of the SAM: listening to the customer's true needs, and showing them how you can truly affect them with differentiated offerings that really impact those needs. Moving to **Myth #5: Market share is tied directly to profitability**. Talk to me about the research in this area.

AH: This is the result of outdated research from the 1970s and '80s. But times change, data changes, and research findings change. And current research fails to find a relationship between market share and profitability, and the reason is that high market share often is the result of low prices and strong discounting. Of course, lowering your prices and flooding the market in order to gain share is not going to do anything for your bottom line. There are a large number of former number one companies that are now bankrupt: General Motors, Blockbuster, Kodak, all bankrupt. So market share leadership is not worth a cent. What is a desirable business objective is leadership in customer insight. Our research and strong conviction indicates that profitability is a function of customer insight. So this must come first, and profitability will naturally follow. As a result, we may achieve high market share, but not the other way around.

TS: So the difference is between cause and effect there, for sure. And again, it is really the SAM's job here to be the one gaining that insight into the customer, becoming the expert on their pain points and unmet needs.

Myth #6: Managing prices means changing prices. You touched on this a little earlier.

AH: So many companies say, "OK, now I understand. Maybe we did not do pricing well in the past, but now we understand the misconceptions and

If you think of your product or service as a commodity, then your product or service will be a commodity.

myths, and that means we need to change prices." Of course, there are times when prices are misaligned with value. And in these cases there is no other option but to change prices. But managing price goes beyond this. It also means building up capabilities to choose, to influence, to quantify the value you bring to your customers. And that does not necessarily involve changing prices.

TS: We have that business conversation where we say, "Yes, the price we charge is 20 percent higher, but that is an investment." We say, "When you pay this, this is the payback, and the payback is hard and measureable, and in some cases, we will guarantee it." It is also critical for our teams not only to be able to quantify value but to be comfortable using procurement's language — cash-flow, break-even, return on investment, risk and adjusted return… especially for a technical salesforce that is more comfortable talking about the technology of their product or service.

We talk a lot about two pricing terms: WTP, which is willingness to pay, and ABT, which is ability to pay. What we have found is that the more concrete the value — you know, "I can guarantee you X savings this year" — and the more measurable and credible it is — the more people are going to be able to pay for it and willing to pay for it.

AH: Would you briefly comment on these myths from your own perspective? Let us start with myth number 1: Looking at the history of SKF, what has been the role of costs in pricing?

TS: I think that in most industrial companies that I work with, cost is the main driver, and then they attach certain markups — minimum markups, target markups, etc. I know that at SKF when we are creating new products and services that have a differentiated value, we want to start with "What is the value for the customer, versus the next best alternative?" We want to start with a base value of what this product or service, versus the alternatives in the market, will bring to the customer. We do check costs afterwards, and ask "Does this make sense?"However, we now look at costs after estimating value for the customer, not at the starting point. So we have seen a change there.

AH: What about the impact of small changes in price on profit? How do you encourage the SAM to fight for small changes in net selling prices?

TS: One thing I see best-in-class companies doing is really focusing on, not just sales dollars that a SAM might have responsibility for, but the profit of those — the profit not just on a discount, but all these free things that are thrown in, that maybe their own company does not see as a cost, or they can get away with, like maybe we will throw in some free training over here, or do a free service over there. OK, that is just another form of discounting, but I want to measure people on *creating* more customer value, and then their ability *to communicate* value and get paid for it. And that has been a bit of a change, because systems are more set up to ask, "What do we sell to that customer this year?" So SKF is working on changing there, and as you said, as we talked about, every percent is everything. I mean, it drops to the bottom line, and we can only be more valuable to the customer if we can get the return for the investments that we are making.

AH: Let us talk about myth number 3: what have you found regarding the price sensitivity of different customer segments within SKF? How do these findings compare to what some purchasing managers like your sales managers to believe, namely that it is all about price?

TS: If a procurement person can get you to implement for them and help them take costs out and bring all the value you do as a company, while paying you a lower price, price is part of the overall calculation. So if I had the ability to stop and push back and say, "OK, a 5 percent price savings would equal this to you, but here is the savings we see in helping you take the right costs out or helping you increase the value over here, and that is ten times more than a 5 percent price savings, so are we looking at the right part here?" Having the tools, the techniques and the data to be able to say, "We are looking at the wrong number. Yes, price is visible, but the real value is over here," and to have a discussion around that and focus on making sure we both get an equitable, and sometimes a guaranteed, return on that value.

AH: Myth number 4: products are difficult to differentiate. At SKF, would you make a conscious effort to differentiate products that competitors might view as relatively undifferentiated?

TS: Yes. Our technical people like to talk about the differentiation, even in the products that are perceived by our competitors as commodities, the hardness of this and the better of that, etc. But what we have come to realize over the last decade is that it is not the product itself that usually creates value for the customer; it is the holistic approach, looking not at how it is done, but at the results that come from it, like how you installed the bearing, how you lubricated it, all these other things around it. So the value of the differentiation might not be the product, but everything around it, in how it is applied.

AH: Myth number 5: High market share equals high profits. How important are market-share goals within SKF?

TS: There is an old Latin saying called *Ceteris Paribus*, which approximately translates in English to "everything else is equal." The old research that the higher the market share, the more profitable a company is, only works if everything else is equal. Well, it usually is not; more market share might mean bigger discounts or more free services or whatever.

SKF realized that we have got to demonstrate value and what it means, and that is how we are going to gain market share. We focused on saying to the customer, "The more profit we create for you that is measurable, the more market share we want from you at a non-discounted price." So we have had two levers here: we get more of their business, higher market share, or they buy different things from us, because that is what drives our factories etc. Those two things occur only if we create more quantifiable value for the customer. And we measure our SAMs on them. So now we have aligned our customer's interests and our interests 100 percent.

AH: Very good. Basically the fundamental insight is that you earn your market share organically. You build your market share through true improvement at customer operations.

AH: Myth number 6: Managing price means changing prices. We addressed this point earlier on. You do not necessarily have to change prices, you can and perhaps should start with this whole idea of quantifying and documenting benefit to the customer, and SKF is a superb example in this respect. I would like to mention that as you work on value-based pricing and value-based selling, you should also work on your pricing infrastructure, such as sales force capabilities.

TS: We have some very smart people who are good at initially setting prices and working on a value-based system for that, but we need to make sure that people in the field have the tools and techniques to convey to the customer what that value is. Again, headquarters calculating a price based on customer value is fine, but if, in the field, the SAM is unable to justify that price with hard documentation or to have the willingness to get paid based on that value, it kind of does not matter. So I think we have gotten better over the years on tying those two together.

One study I use all the time in my presentations is from the Monitor Group, which is now part of Deloitte. It says that companies that are really good on value, communication, quantification and pricing, all those different components of pricing, are 35 percent more profitable than companies that focus on a market share approach. So there is the justification for the SAM to say, "If we could do these things, this is the impact it would have on our business," but that requires, again, not just a tool to quantify value, but a thought process, a belief and a willingness to focus on value.

The other thing I want to add is one of my favorite quotes, which comes from our former CEO Tom Johnstone. "How many ways does our company have to discount price — by industry, product, service, situation?" And "How many ways do we have to say to the customer, 'No, we are not going to discount it; we bring more value and we will stand up for that.' Most companies spend the wrong time and effort on having the processes to discount, maybe they should have the processes and tools not to." And I remember when he said that it was a given; it really gave the impetus to say, "Maybe we are spending the wrong time on the wrong side of the equation." ■

Todd Snelgrove is vice president for value at SKF. Andreas Hinterhuber is the founder and president of Hinterhuber & Partners. The pair will present a conference session on the subject of pricing at SAMA's 2016 Annual Conference in Chicago. They also are co-authors of the upcoming book *Value First Then Price: Quantifying Value in Business-to-Business Markets from the Perspective of Both Buyers and Sellers* (Routledge, Fall 2016).

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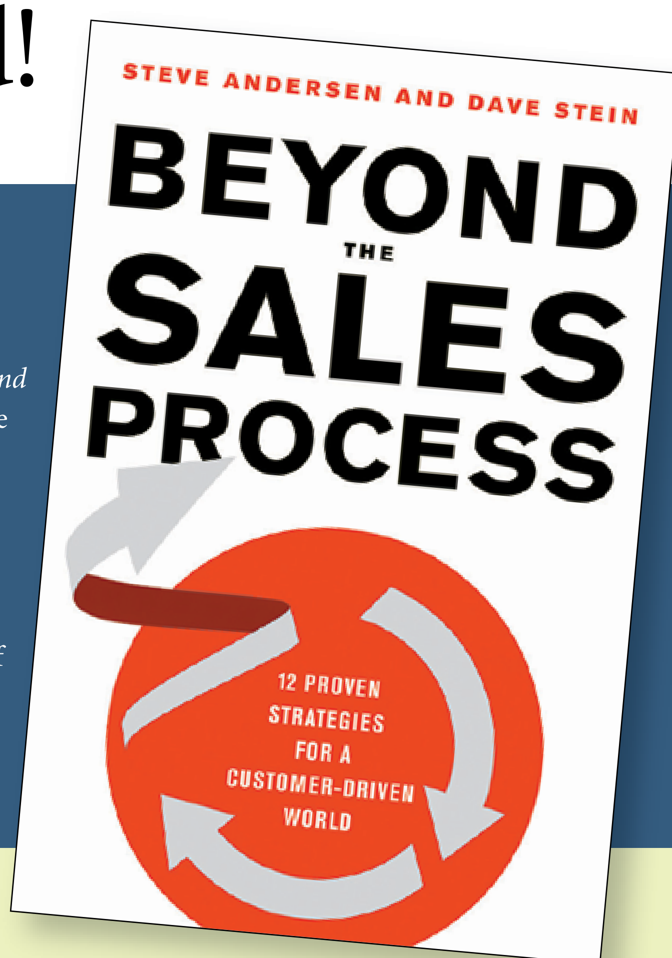

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THE FOUR MEGATRENDS UPENDING STRATEGIC ACCOUNT MANAGEMENT AND HOW TO APPROACH THEM

By SAMA Editors

In March McKinsey & Co. Expert Partner Jennifer Stanley delivered a SAMA webinar entitled "The four megatrends upending strategic account management and how to approach them." This piece is adapted from her webinar.

How do you deal with a force you can't avoid or control? A megatrend is this type of force, and it's one that if you don't pay attention and respond to, you're going to be left behind by your competitors who ARE paying attention. Today's megatrends are profoundly reshaping the way customers engage in their purchase journeys. And when you think of a "customer," realize that it refers to not only decision makers and procurement organizations but also influencers, peers and anyone else who could be part of the purchase decision journey – whether you know them or not, whether they're obvious in the purchase decision journey or not. So it's a very wide interpretation of the term "customer."

There are four megatrends that are most important for strategic sales organizations because they are affecting how your customers are and will be buying. In turn, they change how you should be working with the very broad audience underneath the customer umbrella. Briefly, these four megatrends concern technology, demographics, user-centricity in B2B buyer behavior and the economics of interacting with customers.

The ABCs of information technology

Regarding technology, there are implications for the buying process ushered in by software being everywhere in our lives – and how customers are interacting with technology, both personally and professionally. I'm referring to the new ABCs of Information Technology that govern how customers interact with technology.

The ABCs — **A**nalytics, **B**ring your own device and **C**loud-enabled collaboration — are shifting buying dynamics, combining to change buyer and influencer behaviors. Today's buyers are more sophisticated; they have access to more information, more peers and more influencers. Technology makes it really easy for them to understand and develop a view of your organization as a supplier, your offerings and others' experiences with your offerings.

The world where the SAM can control much of the conversation is just gone.

The world where the SAM can control much of the conversation is gone. It's become much more one of managing information and shaping the conversation, having a collaborative discussion with the full understanding that the customer has a lot of information that didn't come from you or from someone else on your team or in your organization.

What is the implication for how you serve the customer? This technology-enabled access to information, to preferences and to others' opinions results in much higher expectations customers have as buyers as they move through the purchase experience. The main implication for strategic sales organizations is that, along with these changing experiences, traditional buyer organizations are changing, too. Customers are collaborating more amongst themselves, and they are using technology to collaborate and share information, which sometimes may signal their willingness to buy. So paying attention to and across the digital platforms they're interacting on is really important for picking up on those signals.

What is the impact of caring about technology for a SAM, about systematically going through, and relying on your organization to go through, big data streams that result from so much digital interaction and then applying advanced analytics? Advanced analytics is a broad term and may be used differently in different organizations. Here, it means matching data from three or more sources, one of which is external to your organization. For example, external data could be tracking customers' digital footprint behaviors – how they're moving and shifting across the different channels they operate on – or it could be doing a digital footprint scan of your critical influencers, in terms of how their IP addresses move across the various social media channels. This is not always possible because of privacy constraints; but where it is possible, it's worth it. The idea is to not just look at traditional invoicing and CRM data, but to combine external with internal data to deliver a new set of insights about how to better serve the customer and how to better target segments that are important to you with more tailored offerings. Advanced analytics have to result in something that is practical and useful to the sales organization; otherwise, it's just numbers.

McKinsey & Company has some data showing that having the backing of advanced analytics makes a big difference. Fifty-two percent of B2B firms are using advanced analytics to generate new customer insights and leads, while 46 percent are using them to create more relevant customer profiles and offerings. And these companies are enjoying 8 percent higher win rates.[1] There have been cases where a supplier has been locked out in a certain market or at a certain customer plant, needing a lead to break into the market or get into the plant. The supplier gained access thanks to more insight from data analytics into how to create a more relevant offering for that specific sub-segment of the market or that specific strategic account. So the data shows about half the B2B firms benefitting from data analytics with better leads and about half benefitting with being able to more successfully tailor their offerings. The data also shows a substantial movement in the conversion rate from proposal through to a completed sale – an 8 percent higher win rate. Particularly in long sales cycles, it's worth making the investment in data analytics.

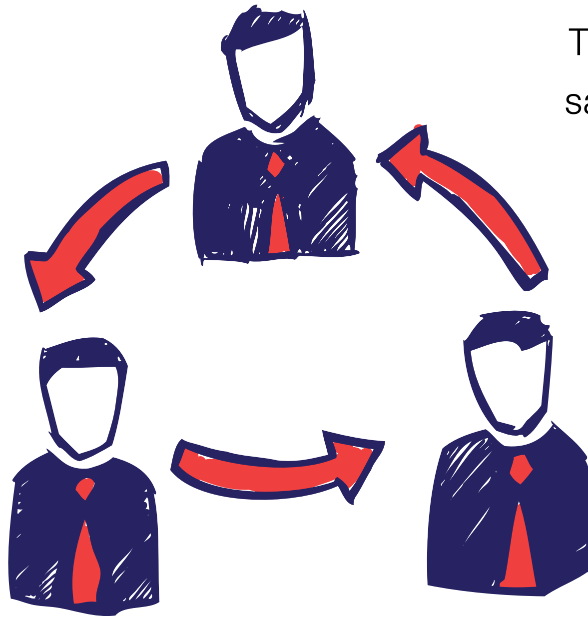
Demographic trends: new pockets of growth and the rise of millenials

A second megatrend affecting strategic account management concerns two types of demographic changes: new pockets of growth in emerging markets and the shifting of the guard from boomers to millennials.

The fact that emerging markets are places to be present is not that new or exciting. Emerging markets become far more exciting when what is happening in those markets is considered and translated into where an organization needs to make sure it has a presence and a voice for its strategic accounts, given where its customers are or are going. Looking at China, for example, 220 cities will have populations over 1 million within the next four years. Compared to a mature market like Europe, only 35 cities will have more than a million people by 2020. This is an order of magnitude difference in terms of the number of customers.

Those emerging cities in China will be home to roughly 60 percent of the world's consumers. That's a lot of downstream spend, and it's likely going to go into some pretty big categories: probably continuing into mobile devices and other types of consumer electronics, in addition to other consumer products that continue to have appeal in local markets. When this is considered along with looking back up the value chain into the supplier world, some staggering opportunities begin to appear. For example, China's telecom and transportation spend is likely to triple, even in a slowing economy. So if you're selling into these markets, that's a pretty important space to be. And if you think about the infrastructure investments to support the growth of these consumer markets, roughly $10 trillion a year will be needed to fuel these types of investments on a global scale.

When you think about how to deploy your strategic account team, looking at emerging markets in this way may help you to think about where you spend more or less of your



The traditional sales funnel is permanently altered.

time. While this is an exciting set of opportunities, it could be daunting because it requires a level of agility and creativity that could be new to your organization or, in some organizations, frowned upon. Having the agility to spot trends ahead of your competitors, to be able to quickly shift in your supply chain and distribution centers to match where global growth is going at the level of cities and neighborhoods, is pretty important.

A second demographic change is the rise of the millennial generation as purchasers and the shifting of the guard away from the boomer generation. Some of the preferences of millennials present both challenges and opportunities for SAMs in dealing with procurement professionals.

This new generation of workers came of age with the internet, with sharing information on social networks. It's natural and normal for them. Sales leaders need to operate within that context. To put it in perspective, by next year, the share of Gen Xers who are running households will exceed the number of boomers. By 2020 at least 50 percent of the entire workforce in North America will consist of millennials, and today, 75 percent of that workforce uses digital social networking as a primary communication tool – with the emphasis on primary.

What this means in the strategic sales sense is that customers may have a very different set of expectations about work interactions, about when and how they can interact with us. Information gets shared and networks get built through digital communication. Relationships get sustained that way, which is a different world from the traditional person-to-person interactions, the private interactions that most of us are used to. That's not to say that personal interaction goes away; it just gets augmented. As those lines between what's social and work and what's social and personal get increasingly blurred, it's really important that SAMs navigate these waters carefully and manage their teams to do so. But there is no doubt you have to swim in these waters one way or another.

User-centricity in B2B buyer behavior

The third megatrend is about the consumerization of B2B buyer behaviors resulting in very high expectations.

Customers expect you to know them before you meet them.

The life you lead as a consumer, and the lives your customers lead as consumers, become quite important for thinking about the buying experience. Customers today want "me plus free plus easy"; increasingly their research into and experience of your offerings is based on peer-to-peer conversations in whatever medium is most convenient. Chances are, it's digital.

If you need to learn something, or want a little more insight into marketing analytics or accounting, you don't have to get formal training; you can take a free course online. If you need more document storage, you can download Dropbox. A small business that needs documents signed can go to DocuSign and make it happen. Every step of the way in getting work done, there are easy ways that feel very natural, where self-service interaction feels like a personalized experience. There's a heavy degree of user-centricity to it. It's "me" driving the journey, not a strategic account organization.

So the "me plus free plus easy" that you enjoy as a consumer needs to be reflected in how you think about strategic account management. What do your sales processes look like over the course of the contract? Are you making those processes personalized and easy? Organizations often talk about being easy to do business with, but how many times do you put roadblocks in front of the customer, whether time or documentation roadblocks that make it harder for them to do business with you? This will become even more important for strategic account organizations moving forward.

"Me plus free plus easy" boils down to making sure you're covering these three aspects of interaction, even with the most senior of strategic customers. It can be hard to imagine the informality of using "me plus free plus easy" when dealing with a chief procurement officer or a chief information officer, but this expectation does exist, even if it's not obvious.

The economics of interacting with customers

The fourth megatrend is what happens as a result of falling experimentation costs and the rise of the sharing economy. For example, there are 19 million handheld electronic drills sold in the United States. Their average active lifetime use is 12 minutes. At that rate you could borrow a drill from your neighbor and save money. Almost everything is a service and can be shared, and consumers are comfortable with sharing their own idle inventory.

However, imagine a world in which five local hospitals get together and look at the total capacity and usage time of their CT scanners and then realize that, instead of each of them having a scanner, four scanners would be sufficient to meet their needs with no adverse impact on patient experience or quality of outcomes. Ask yourself if there are opportunities for your customers to share idle inventory or capacity, particularly for large capital purchases. If so, your sales forecast would look different because you have to consider those buying networks. This has been seen with the rise of purchasing organizations, but this is different because purchasing organizations represent the demand of the group – not necessarily the individual member's demand.

In interacting with customers today, there are three things to remember.

1. ***Customers expect you to know them before you meet them.*** This is not just about getting to know someone new; it could be about someone you've done business with for a long time. What's changed in their personal life and organizational life? Basically, they expect you to know this and be paying attention.

Do you check LinkedIn profiles before meeting with customers, even ones you know well? Learning something new about a customer could help you to continually personalize the relationship. This knowledge could reshape your thoughts on how you open a meeting or on how you shape the tone of the conversation. For instance, one SAM found out through LinkedIn that his customer's daughter had just won a scholarship to a university that happened to be the SAM's alma mater. The SAM realized he needed to rethink his upcoming conversation with the customer and thought to offer to take the customer and his daughter to a football game at the university. There is an expectation of pre-fill knowledge before you meet with a customer; millennials, especially, don't expect that there will ever again be a cold interaction. They put information about themselves out there and they expect you to go get it.

2. ***The traditional sales funnel is permanently altered***. A new paradigm of customer journeys has emerged, different from the traditional linear sales funnel. This new paradigm forces a reorganization of resources in response to the non-linear behavior of customers. With long sales cycles, customers are making predictable purchases on predictable contracts. However, between those contracts and before the next negotiation comes up, things are still happening as the existing contract is being serviced. Decisions are being made and opinions are being formed that impact the next contract cycle.

In a 2012 McKinsey research study, which is being replicated this year, B2B buyers and influencers in the U.S., U.K. and Germany were asked how much of their pre-purchase, pre-negotiation activities they conduct 100 percent on digital channels, i.e., not in the presence of an account manager. That number was 35 percent.[2] In the next round of research, the plan is to include Asia and Latin America, and the expectation is that 50 percent or more of sales will be digitally enabled. This speaks to the speeding up of what access to information can do to a customer's journey and the need to rethink the role of SAM.

The challenge is to reframe the role of SAM away from the classic end-to-end sales funnel – lead generation to close of contract and staying on top of servicing that contract – and to think of the SAM's role instead wholly in terms of being in the customer's shoes. When you do this, you begin to think about a much more pervasive relationship with the customer, which leads the SAM and the SAM's team to take on more of a marketing role earlier in the journey, where they are the personification of the brand and the experience for the customer and its decision makers. So you're starting always with whatever the customer's trigger is, which may be as obvious as "I'm in the middle of a contract and deliveries are late," or "I have a need for increased volume" or "There's an issue with products that are off spec." Reframe what you do as a SAM to help not only solve the problem but also reshape the expectation for the next time the customer is researching suppliers for the next RFP process. It takes you out of the world of

One of the secrets of sales success, to be out in front of your customer physically as much as you can, is not true anymore.

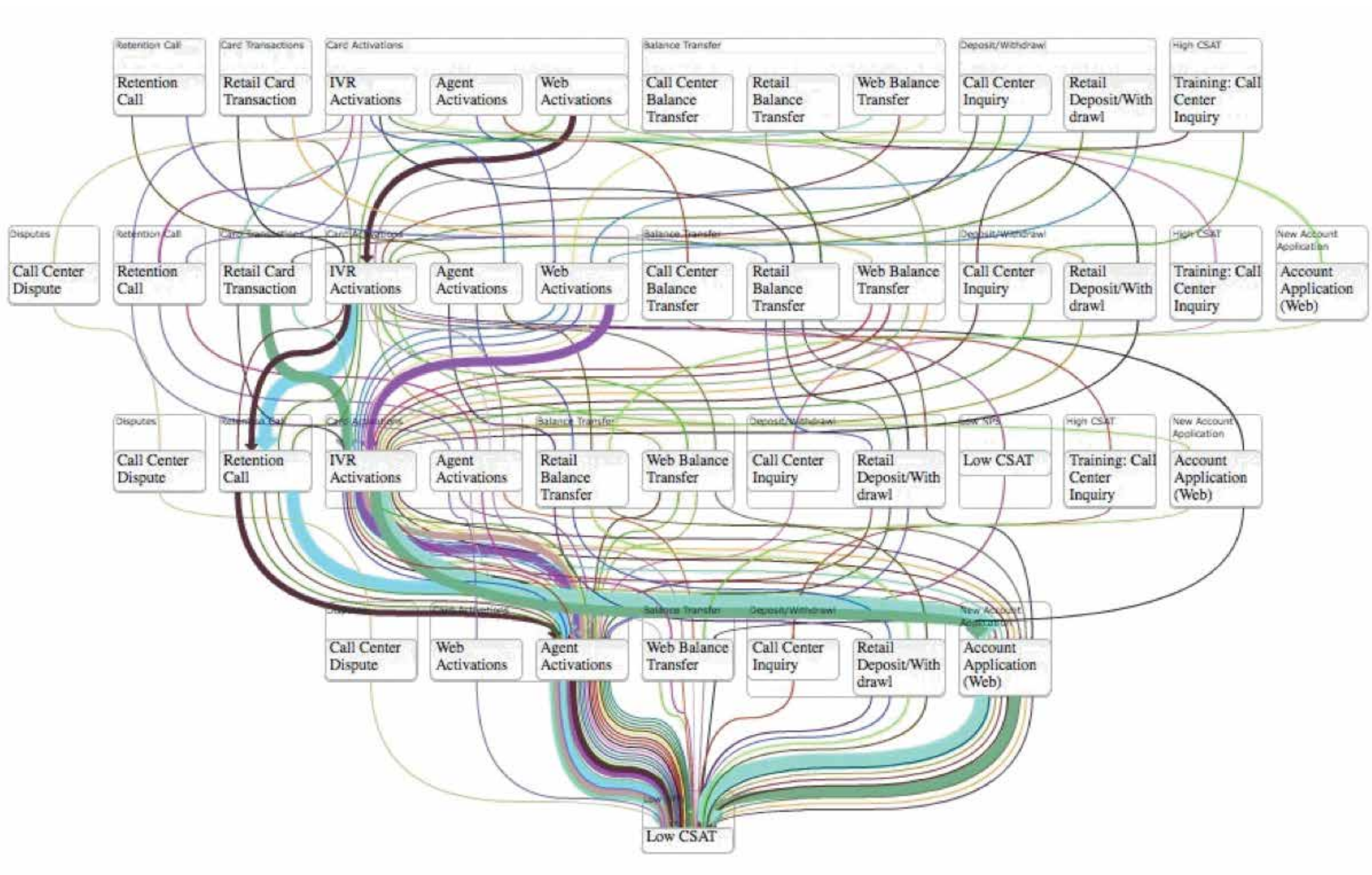
"I'm solving a post-sales servicing need" into a world of "I'm servicing a pre-sales need and sharing new information, resetting an expectation of what customers should think about as they begin their next journey for their next purchase. "

When you begin to think more from the customer's viewpoint, this can also help you think about where to deploy your team resources most effectively. Ask yourself, "Is this a time when it makes more sense to let our marketing organization work its magic and to devote our time elsewhere? Or is this a time when nothing but our personal interaction will do?" Of course, a negotiation prior to the actual buy is one of those times where personal interaction is necessary.

3. ***The world is multichannel 24/7.*** How do individual senior executives with their strengths, insights and capabilities exist in a world that is multichannel 24/7? The interactions customers are having with you are happening in other channels. Getting used to the new equilibrium of the role of the personal SAM, versus what it used to be in a world where access by other channels was a lot tougher, means you have to up your game in terms of orchestrating and shaping those journeys for the customer and, in some cases, suggesting there's a better way for them to interact versus talking to you.

Figure 1 on page 36 shows a real customer mapping of interactions across multiple channels resulting in a low customer satisfaction score for this B2B buyer. The company was trying to understand the pathways a customer takes through all of the offered

Figure 1: Mapping of interactions across multiple channels



channels that were creating bottlenecks and unpleasant experiences in the customer's journey—and what the company could do to improve. When looked at from a strategic account perspective, it's magnified because this is not a one-time transaction; these are multiple interactions over long periods of time. In its research McKinsey asked customers about their interaction experiences. It was found that even at the strategic level, almost 60 percent said they are frustrated with inconsistent experiences with their suppliers, not just their channels but the actual people behind those channels.[3] The average B2B customer engages with an organization via six different interaction channels. That's a lot of opportunity for frustrated customers, but it's also a lot of opportunity for delighted customers.

So when a SAM helps a strategic customer think about the best way to use the channels, explaining when one channel works better than another for a particular customer need, the SAM is then managing the conversation and creating a more pleasant experience for the customer, outside the craziness of a buy, a negotiation or putting the finishing touches on a contract. This is what should make the job of a SAM fun: when the SAM works with customers along their journeys to figure out what works best for them.

Too much face time

What else can SAMs do differently? What do B2B customers cite as the most destructive account management behavior? "Not rapidly responsive" feels like the right answer. However, the actual answer is this: too much face time. When senior people in an organization are asked what is the most frustrating thing a SAM can do, the reply is often spending too much face time with them. This is not to say they don't value the insight; it's just that the world that SAMs lived in for a very long time, where you've worked out of this paradigm that one of the secrets of sales success was to be out in front of the customer as much as you can, is not true anymore. Customers are saying they don't like it, they don't need it and they don't want it. And that's because they have so many other ways of interacting with you.

So think through your account plans and how you mobilize your team to ensure you get rapid response, that you have enough engagement after the deal has been inked, that your people are really sharp on the features and benefits and all of that. And figure out how you can do all of this by making use of digital platforms in addition to face time so that the customer experience isn't one of "Stop bugging me for times for meetings." Instead, they are calling YOU for times for those meetings. Make yourself more desirable for face-to-face time rather than assuming it's the most important thing to the customer.

How much face time is too much? Sixty to 70 percent has been thrown out as a number to aspire to. Customers surveyed by McKinsey say to cut that in half. The ideal is probably somewhere in between, around 40 to 50 percent. This doesn't mean it's not revenue-generating time or customer-engagement time. If you think about time on digital platforms, response time and activities with other decision makers or influencers in a customer's organization, these would be included as well. Don't drop your revenue-generating time to 40 or 50 percent; rather, challenge yourself and ask if the face time you're spending is really time that's worthwhile. Of course, the appropriate amount of face time depends on what your customers like and how they like to engage.

Some final thoughts

1. ***Use big data to your advantage.*** You have the right to demand this from your organization. You need to know some things about your customers that are more forward looking, more granular.

2. ***Share your pitch.*** This doesn't mean *pitch* in a typical sales sense, rather whatever you are bringing to your customers to help propel them forward in their journey. This could be a proposal or access to people from your organization, such as when you're having a voice-of-the-customer discussion. Any time you have an opportunity to help your customer engage and learn something more about your organization, that's a pitch. Think of yourselves less as account managers and more as community facilitators. How are you present on social media and other platforms so that you are regularly connecting to customers and regularly helping them get educated on new offers? How are you selling them on your offering *before* an official RFP? Are you really seen as an expert in your space? Many firms have rules for what their employees can and cannot do and say online or in in-person industry forums, such as trade shows. However, many don't have ways to help SAMs live by those rules and still be effective. The concept here is that you're sharing your benefits all along the customer's decision journey and being seen as that community facilitator.

3. ***Manage the multi-channel decision journey.*** Every touch point represents an opportunity for a different type of customer experience and a different outcome for their next purchase. So it's very important for you and your team to understand what is happening at different touch points in the journey so that you can continue to shape the conversation.

4. ***Challenge your thinking.*** If you think of a SAM as a community facilitator, expert networker, someone at the center of a customer's world, then you have to think about your offering in a very different way. It's then not about selling product, not about capital expenditures, not about adding on a service – rather, it's moving to a world that's more of a platform consisting of products, services and information exchange. It's enabling sharing, whether equipment or information. It becomes an environment where you, the SAM, are at the heart of juggling many balls to create a fundamentally different experience that the customer can only get via the platform of interactions, experiences, products and services that your organization has to offer.

The trends are clear; the data is clear; the direction is unavoidable. The key is to adapt now and plan to continue adapting later. Perhaps you're not adapting as fast as you and your customers can benefit. Have a conversation with your teams about what these megatrends mean for all of you and your organization. You really can't afford not to.

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[1]Source: CMO Council in partnership with SAS, "Big Data's Biggest Role, Aligning the CMO & CIO: Greater Partnership Drives Enterprise-Wide Customer Centricity Report," March 2013

[2]Source: McKinsey, Customer Survey 2012, interviews, press reports and web research.

[3]Source: Ibid.

SEEDS PLANTED IN POOR SOIL CAN'T GROW

By Elisabeth Cornell

SAMA Research General Manager

Strategic Account Management Association

After completing work on *Finding and Selecting the Right Talent for Strategic Accounts,* a recent research study by the Strategic Account Management Association, and having had a chance to further "macerate" (as our CEO Bernard Quancard likes to say) on the results, I believe that two storylines basically summarize all of the findings. One is a story about *company culture* and the difficulties of change when it comes to introducing new ways of working that buck the status quo; the other is a story about the challenges of formalizing a *systematic method* to ensure these new ways of working can be driven effectively.

Company culture and formalizing global processes play a significant role in the successful recruitment and selection of strategic and global strategic account managers due to the organizational changes required at a company's corporate level.

In many firms, a strategic accounts organization is structured as an overlay to the established structure of the company and its parts, to create an additional axis aligned to strategic customers. This may be, in part, one of the reasons why SAM organizations tend to operate more independently of standard company procedures and policies, so as not to create more disruption or conflict than necessary. However, in endeavors that require the interest, cooperation and resources from other areas of the company, which most strategic account management activities do, this often proves to be a real challenge.

Our survey asked participants (comprising company roles in senior management, sales management and account management) about their firm's internal processes for sourcing, attracting, selecting and hiring strategic and global strategic account managers. Although the survey also was sent to HR professionals, almost none responded…and that was indicative of one of the main issues confirmed in the study findings: In many companies that initiate a strategic accounts program, there are no pre-existing HR position descriptions, competency models, compensation policies or career paths for the role of strategic account manager.

That new positions need to be defined, recognized and aligned to the corporate strategy has been well established. In *SAMA's 2014 Report on Current Trends & Practices in Strategic Account Management*, half of the key drivers of SAM (those traits shown to have the highest correlation to positive and negative rate of growth) were

HR-specific:

- Adapting policies to develop future strategic account managers
- Having an institutionalized process for customer-driven innovation
- Adapting policies for SAM-specific training
- Having a defined process for creating customer value
- Adapting policies for identifying and recruiting potential SAMs
- Having a CEO who is effective in creating buy-in

Despite the fact that adapting formalized SAM talent-management practices has been shown to positively impact the functional effectiveness of SAM and strategic account performance/rate of growth, SAMA research has repeatedly documented the lack of HR involvement in the search, selection and development of strategic account managers in more than half of firms with a SAM program. The challenges of creating a customer-centric organization within a historically siloed corporate structure are amply evidenced by the under-utilization of existing HR resources and expertise, the absence of SAM integration into corporate culture and the persistence of traditional sales practices that still muddle the distinctions between the roles and talent requirements of a strategic account manager and a traditional salesperson.

In 2008 SAMA research found that the single greatest challenge organizations faced with strategic account managers was finding SAMs with the right skills and attributes. And yet in our 2014 survey cited above, respondents' **average rating** for "adaptation of HR policies" (on a 1-5 point scale, with 1 being "not at all adapted") **was 3 or below** for each of the following categories:

- Identifying and recruiting potential SAMs (2.74)
- Using a SAM competency model (2.80)
- Assessing SAM skills and development needs (2.95)
- Providing SAM-specific training (3.04)
- Coaching of SAMs (2.92)
- Developing SAM-specific compensation plans (2.78)
- Establishing a SAM career path (2.46)
- Implementing SAM succession planning (2.80)
- Developing future SAMs (2.33)

Oftentimes, when account performance is suffering, when cross-functional collaboration and influence with other business units and other geographies are unproductive, or when there is misalignment of resources and objectives, the blame settles upon the strategic account manager. People see it as *his* failure to gain buy-in, *her* lack of interpersonal and communication skills to create team cohesiveness, *his* missed opportunities to collaborate with the customer. But this is akin to planting a seed in poor soil. A seed, even if it's the right variety, must still be planted at the right time and in the right location. While it's growing, it has to be carefully nurtured and fertilized. Strong plants flourish in the right environment.

It is this author's opinion that the responsibility for providing the right environment to grow outstanding, highly productive strategic account managers belongs to the company leadership and management team — from the CEO, across the business units and down to the coaches and managers of the SAMs. A company's HR policies, processes, resources and expertise are essential to legitimizing and embedding key SAM positions within an organization. It's time to integrate strategic account management into your corporate culture and make the necessary changes to formalize and elevate the role of the SAM to its proper place. ■

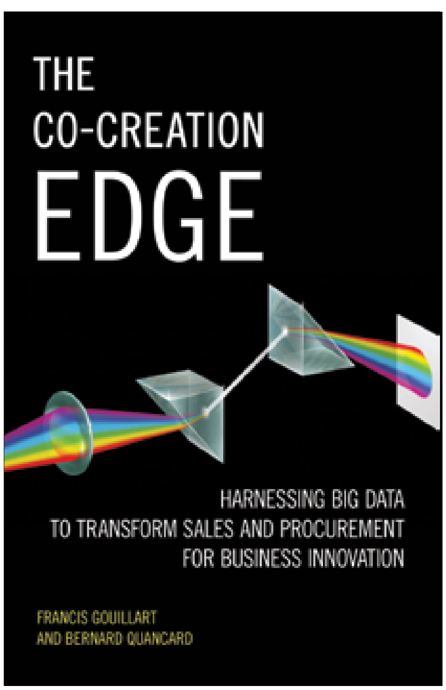
THE CO-CREATION EDGE: HARNESSING BIG DATA TO TRANSFORM SALES AND PROCUREMENT FOR BUSINESS INNOVATION

By Francis Gouillart and Bernard Quancard

Reviewed by Ron Davis
Executive Vice President for Global Customer Management
Zurich Insurance

In the insurance world where I live, there are companies among the Fortune 500 who see that an insurance carrier can be more than a provider of insurance products and solutions: it can help its customers better understand their risks and help create innovative protection or risk-retention solutions. When this occurs, a universe of new possibilities opens for the insurer's strategic account manager and the customer's buyer of insurance products. The new relationship becomes richer, yet more complex, as it involves engaging a new community of players at both carrier and customer, capturing and sharing new data, creating analytical models of risk and developing innovative risk-mitigating approaches resulting in new value for both parties.

The building of this new connective tissue between supplier and customer represents new territory for both, and only a few account managers and procurement people have ventured into it. The pioneers who dare to go into this no man's land are one-of-a-kind, passionate about their craft … and often a bit lonely. Most importantly, they are the prototype of what sales and procurement people will have to become to survive in our increasingly data-driven world. This is why studying what they do is important: it is the future for sales and procurement as a whole.



This new space between supplier and customer is the one Francis Gouillart and Bernard Quancard carve out with their book *The Co-Creation Edge: Harnessing Big Data to Transform Sales and Procurement for Business Innovation*, and they do it very well. The book is heavily research-based and tells stories of how some pioneers at firms such as Ecolab/Nalco, Xerox, SKF, DHL and Volvo Trucks have figured out how to generate a rich flow of data among them and extract new value from it. From these stories, Gouillart and Quancard show how what they call "the cycle of co-creation" applies at each step in the development of the relationship between supplier and customer. SAMA members will recognize the popular SAM process as the backbone of this relationship model.

Gouillart and Quancard are visionaries, and what they present is pretty sophisticated stuff. As a practitioner, I found myself going back to the basics of what makes co-creation possible. There needs to be a human motivation for people to want to work together. This requires trust. Trust grows from spending time together. And when people spend time together, they often find a common area of value exploration on which they can start collaborating, eventually leading to

“Fantastic book. Co-creation often requires a profound transformation of a traditional company. This book will show you how a few pioneering account managers in your sales force can initiate the transformation of the entire culture of your company and make it materially more entrepreneurial and successful.”
– Arne Frank, CEO, AAK

“Co-Creating for innovation is a true differentiator for customers. The ability of procurement to solve customer challenges through a network of diverse stakeholders is the future of both strategic sourcing and strategic account management, as shown by the many examples of companies featured in this book.”
– Ruben Taborda, Vice President, Enterprise Customer Group at Johnson & Johnson

“Strategic account managers must help their companies transition from the traditional sales model to a future state where they sell through insights generated through data and analytic engines. The Co-Creation Edge will show you how innovative account managers are blazing this new trail.”
– Jerome Richard, Vice-President, Sales and Business Development, Schneider Electric

the building of larger networks of connected people and the use of sophisticated data to measure value created, as described in the book.

At Zurich, our customer relationship model has advanced as our pioneering strategic account managers have explored new avenues of value creation with their counterparts at the customer. For example, we have successfully co-created solutions with customers who are car manufacturers, private equity clients, and construction companies and their networks of subcontractors, largely following the model of value creation advocated in this book. Our company has also been involved in thought leadership on risk subjects, such as flood resilience, cyber risk and risk-scenario analysis via our award-winning Zurich Risk Room. The book correctly highlights the power of large-scale co-creation involving large numbers of stakeholders jointly attacking such big problems.

Given the magnitude of the transformation required by co-creation, the main challenge for many of us lies in answering the following question: “What is the best way to help today’s strategic account managers and senior procurement people develop the skills exhibited so far by only a handful of pioneering people at most firms?”

I respectfully suggest that leadership coaching and corporate introspection are two good places to start. On the coaching front, I have found that account managers learn from their pioneering peers, often their senior peers, and there is no substitute for it. Pioneers have stories to share, and helping pioneer account managers become coaches is helpful in two ways. First, it helps co-creation skills replicate faster inside the company, which can drive sales growth. Second, it allows emerging pioneers to feel less isolated and more institutionally supported and valued, thereby helping protect them from burnout, or possible defection.

The book also hints at the need for corporate introspection, a process many executives find powerful. While many of us in strategic account management roles feel there can be an unwillingness of our customer's procurement department to recognize distinctive value or to engage in co-creation, it helps to learn how our own procurement people collaborate with suppliers. Moving away from having “price” as the main decision-making factor and finding even more effective ways to engage can help open the door to co-creation opportunities.

By painting the landscape of the future relationship between supplier and customer, the two authors present strategic account managers and senior procurement people with a stark choice: adapt or die. This thought-provoking and informative book will get you started on the journey to successful co-creation. ■

Ron Davis is executive vice president for global customer management at Zurich Insurance. He is also a long-time member of SAMA’s Board of Directors.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