Bennelong Publishing
Practical tools and insights for Business Results

Sales or SAM: Just the same?

Gary Peacock
Author of Managing B2B customers you can't afford to lose

$9.99

Sales or SAM: Just the same?

Published by Bennelong Publishing Pty Ltd
PO Box 500
St Ives NSW 2075
Australia

Editor: Jill Thain
Design and page layout: Jill Thain

Author: Gary Peacock
Title: Sales or SAM: Just the same?
ISBN: 978-0-9945795-3-9
Subject: Account Management
Other Authors/Contributors: Stephen Kozicki

This book is distributed internationally through Bennelong Publishing Pty Ltd. The authors can be contacted at www.bennelongpublishing.com for further information or inquiries on conferences, keynotes or workshops.

Contents

Chapter

Introduction

In competitive industries like yours, according to executives and experts you should implement Strategic Account Management (SAM). But isn't that just a fancy term for selling to C-suite executives?

No. SAM is a different way of working with some of your customers.

Why just some?

Work differently with just some of your customers to manage the risk, because often 10% of your customers generate 90% or more of your revenue. Losing one of these customers would be painful for your organisation. Also, when you are looking to grow your revenue or profit, why not search for opportunities with the customers who already give you most of your business and obviously like what you do.

> **Progress is impossible without change, and those who cannot change their minds cannot change anything.**
>
> **George Bernard Shaw**

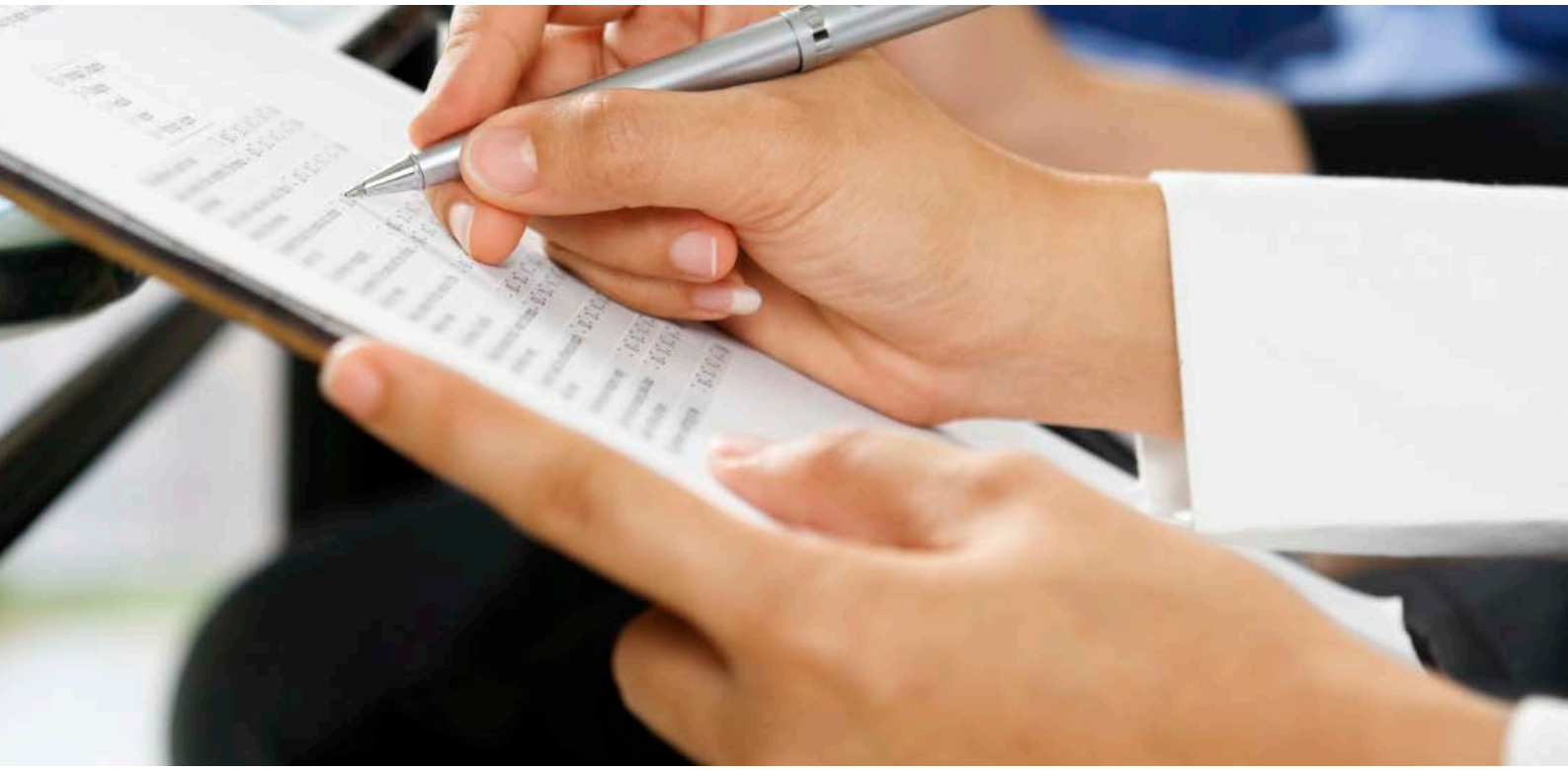
As you will see SAM is different in many ways to sales. However, there are two fundamental differences. First, with SAM you don't focus on increasing sales, instead you focus on increasing your strategic account's business results. Second, with SAM you don't focus on producing results this financial year (that's tactical), you focus on producing results beyond this financial year – that's strategic.

> Don't ignore pain;
> appreciate its message:
> You need to change now!
>
> Shannon L. Alder

The top 10-20 accounts of any B2B organisation typically represent 60-80% of revenue and profit. In some cases as high as 95%.
The consequences of losing one of these customers are dramatic, and in today's business environment it is virtually impossible to replace these customers; your competitors will protect them at all cost.

These two differences will challenge many of the ways that you currently do business. That's why moving to implement SAM is not just about new skills. To implement SAM, you need to use **different** processes and rewards.

To be clear, if you just introduce new skills and you do not change processes and rewards, implementing SAM in your organisation will fail.



If you have already implemented SAM in your organisation, try this audit to see how you compare with best-practice organisations.

How does your SAM program compare with best practice? TOOL

If you want a better understanding of the benefits of implementing SAM, have a look at this case study.

Leading Transformational Change Through SAM

ARTICLE

SAM worked for Varian, in less than three years they went from not having a structured approach to managing its most critical accounts, to establishing a world-class SAM program. A program that transformed relationships with key customers and reconfirmed Varian Medical Systems Australasia as a clear market leader.

> SAM has had the biggest impact of any initiative we have undertaken in the last five years. The business is almost unrecognizable.
>
> Chris Cowley, Varian Medical Systems Australasia

When you implement SAM you create more value for your customers so you can capture more financial value for your organisation. Creating value for your customer means helping them increase one or more of their results, for example:

- Increase their sales
- Reduce their costs
- Improve their employee satisfaction
- Improve their customer satisfaction
- Create new customers in new ways

If you can help increase results for a strategic customer, then you will typically get what you want: more sales and less pressure on price.

Why doesn't everyone implement SAM?

The answer is simple, better sales and less pressure on price typically takes two years from when you begin treating an account more strategically. Some companies and managers are not willing to invest this financial year for a return in a future financial year. This is what business professors would call a barrier to entry. In practice, it means companies that invest in SAM gain a competitive advantage in their relationship with the strategic account. Because this advantage takes time and is difficult to develop it is hard for competitors to copy. So, the advantage will last for years.

> The only sustainable competitive advantage comes from out-innovating the competition.
>
> Jack Welch

Chapter

What processes or rewards?

To implement SAM you need different processes and rewards. In simple terms, processes means the meetings and the reports you have. With sales you review in weekly or monthly meetings, in contrast with SAM you review relationships in quarterly meetings.

Why have meetings with a different frequency?

The short answer is with SAM you are looking for slow changes in the customer. So, after one month you would not expect to see any change, in three months you might see some small changes.

Another reason is experience shows that monthly account reviews quickly become another sales meeting and account managers activities become dominated with short-term sales objectives.

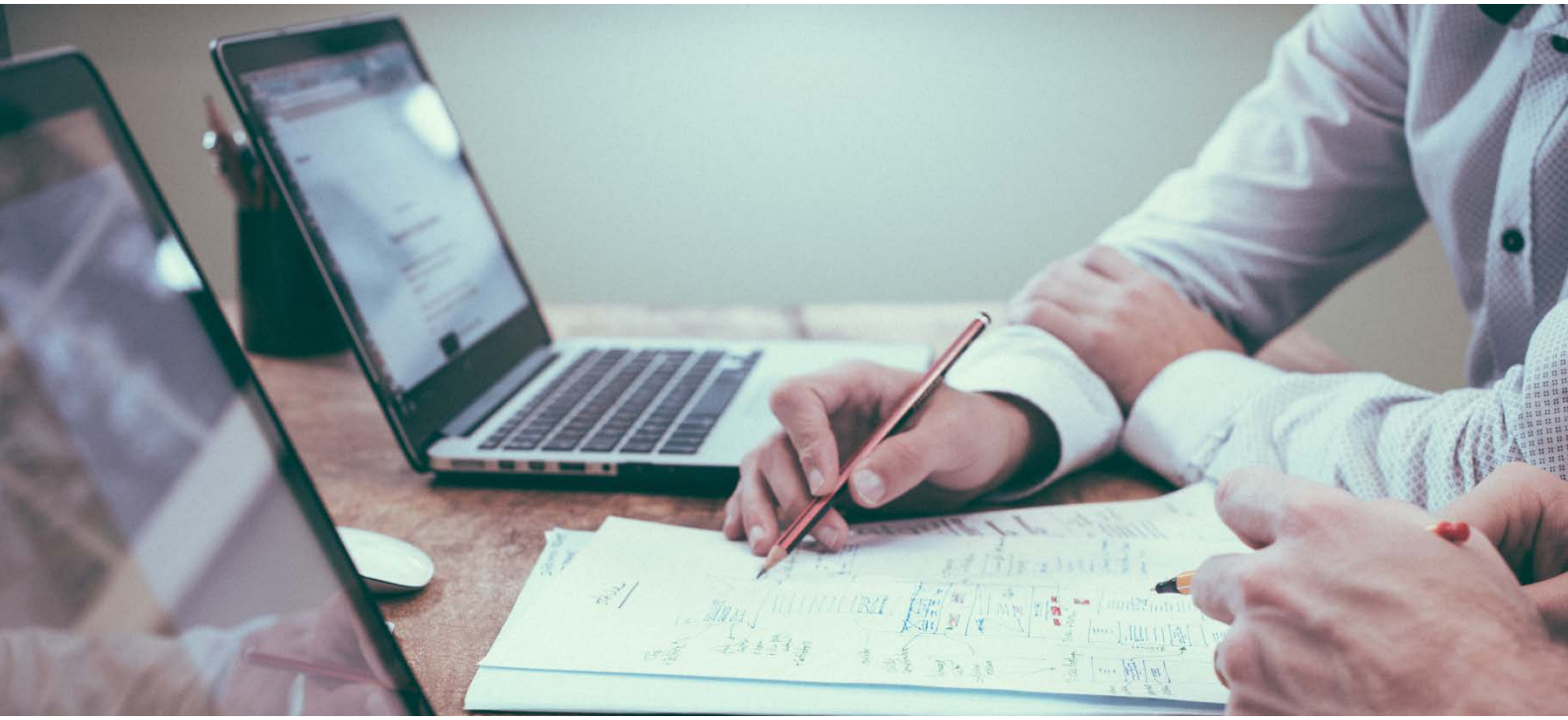
Apart from having meetings at different frequencies, the content of the meetings is different too. For sales meetings you will review how you achieve sales objectives like a budget of $1M for product X. In contrast, in SAM you will discuss how you achieve organisational objectives like how to build relationships between your board and the strategic account's board? Or how you can establish a joint research project with the strategic account? Or how can you get the CEO of your strategic account to brief you privately on their recent three-year plan?

The differences continue when you examine the processes you use to manage activity. In sales processes, you focus mainly on individual activity to build relationships. So, the salesperson plans to meet the procurement manager and then meet the end-user. In contrast, in strategic account processes you may plan for departments A and B to meet with their equivalents at the strategic account, So, the strategic account manager may arrange for your supply chain manager to meet with the strategic account's supply manager. Or, your strategic account manager may arrange for your government relations director to brief the regulatory manager at your strategic account. Or, you might arrange meetings between quality or safety experts.

You see even more differences when you look at rewards (how you pay people): in sales it's usually for the success of selling a product in this financial year; in SAM rewards for strategic account managers are for the success of the company over multiple years. To provide rewards, you need to agree measures. For sales its often increases in revenue, in contrast for SAM measures are often about increasing profitability of accounts. (Most organisations without SAM do not know the profitability of their accounts.)

Summary of differences: Processes and Rewards

Sales	**SAM**
Selling customers products and services	Planning for customers to get better business results
Focus on individual activity to build relationships	Focus on organisational activity to build broader relationships
Achieve sales objectives	Achieve organisational objectives
Results from customer	Activities with customer
Grow revenue	Grow profitability
Review sales in weekly/monthly meetings	Review relationships in quarterly meetings
Compensation: success of product (this year)	Compensation: success of company (multiple years)



Chapter

Different processes and different rewards drive different activities

We have discussed some big differences in processes and rewards. However, that's not all. As you examine some of the monthly activities you see more differences. For example, with planning: sales tend to plan individually and plan **for** the customer; SAM plan using cross-functional teams and plan **with** the customer.

On pricing, typically sales rely more on price to negotiate, where SAM relies less on price. The reason SAM relies less on price is that they have delivered better results for the customer which reduces the strategic account's sensitivity to price. So, sales will use commodity-based pricing, where SAM uses value-based pricing.

Example: commodity pricing is cost plus a margin. So, it might be cost plus 15% because that's what other competitors charge.

> The essence of business is creating value for your customer so that your company can capture financial value.
>
> Adam Brandenburger & Barry Nalefbuff

Example: let's say the cost for the service is estimated at $1M. If you have helped the customer develop a new customer and increase their customer satisfaction and reduced their rework costs for a benefit of more than $1.5M a year, what would be a reasonable price? Certainly, more than cost plus 15%.
That's value-pricing charging a portion of the financial results delivered beyond the product.

With value-based pricing, part of the pricing depends on the value delivered to the customer, where the value is the improvement in results for the strategic account. These improvements come from more than the products and may come from your HR, medical affairs, supply chain or lean six-sigma department.

This approach is used across many competitive industries as SKF explains in their whitepaper.

Total Benefit of Ownership: Lowest Price ≠ Lowest Cost

ARTICLE

Procurement professionals who buy with an eye on long-term value are making a more measured and ultimately profitable purchasing decision.

Many industries have reached a tipping point, where markets are maturing and what's important to customers is changing. The Medical Devices market is one of these industries and Tamara Olson a partner at Bain discusses the implication of this:

> Changes require building new capabilities and really redefining the business model.
>
> Tamara Olsen, Partner, Bain.

Also contributing to reduced price sensitivity from SAM, is the strategic account manager understands the customer's business, in contrast to sales who understands just the customer's needs. This difference in activities between SAM and sales is because the role of sales is to create product loyalty, where the role of SAM is to create enterprise loyalty. With enterprise loyalty, the strategic account is loyal to the organisation not just a product.

So, when a competitor offers a lower price or a better product, they are less likely to switch products because they are getting more value – better business results beyond just better business results from the product.

Summary of differences: Activities

Sales	**SAM**
Individual planning	Cross-functional team planning
Plan for customer	Plan with customer
Understand customer's needs	Understand customer's business
Relies on price to negotiate	Relies less on price to negotiate
Creates brand loyalty	Creates enterprise loyalty
Commodity-based pricing	Value-based pricing

Now that you are clear on the differences in processes, rewards and activities, you can examine how sales and SAM need different skills.

Chapter

Sales and SAM need different skills

There are three groups of critical skills: influencing, financial acumen and negotiation. Advanced influencing skills are needed by strategic account managers because the tasks are more complex. Without formal authority, they need to influence more people inside their organisation and influence more people in the strategic account's organisation, including more c-suite people.

Influencing skills

To influence more individuals or groups (inside and outside your organisation) to take action requires advanced persuasion skills. With a diverse audience it's important to gain an understanding of their different interests and opinions, and use these when persuading for results. For more insights read:

> **Having a compelling case to make is not the same as making a compelling case.**
>
> **Robert Cialdini**

Persuading for Results

BOOK

Industry Knowledge

Typically, sales have good product knowledge and for SAM this needs to be good industry knowledge. Industry knowledge is more than knowing competitive products in your industry. It means understanding the customer's industry: understanding their competitors and their customers.

To understand your strategic account's industry the strategic account manager needs commercial acumen (how different departments works together to deliver different business outcomes for customers, employees, regulators and shareholders).

One element of commercial acumen is financial acumen. The best sales people will understand profit and loss and perhaps return on investment for a project. In contrast, strategic account managers must also understand balance sheets and return on investment for their strategic account.

Financial Acumen

Businesses exist to generate a return (profit) on the funds invested in the business by the owners. Generating a return on the owner's funds is the number one priority of companies.

You must understand the financial metrics that matter to the other side. You need to be able to present business propositions in compelling financial language and clearly interpret financial information. Bottom line, you need the language of accounting.

It's one of the most common areas of weakness, especially in sales teams. In a 2013 research study by Executive Conversation, 39% of respondents rated their sales professionals' financial acumen as below average or poor. And this is not an isolated statistic. Financial illiteracy is everywhere.

For this reason, financial measures used are often limited to the top line and activity metrics such as revenue, units, margin or gross profit.

To know what's important to your key account, you should understand the finances of their company. Mark Robilliard and Peter Frampton help with this. Mark and Peter are authors and the co-founders of Color Accounting International. They have developed a revolutionary educational system, called Color Accounting, which helps non-accountants understand the business better.

They've rethought the whole genre of 'finance for non-financial managers'. By making it visual rather than cerebral or mathematical, their programs make accounts quick, easy and fun. Yes, fun!

To improve your financial acumen:

Color Accounting

TRAINING

Finance for non-financial managers

Income is a verb, describing an activity that generates value (i.e. assets). Expenses are also an activity, but one which consumes value. Expenses are not 'cash-out', just like income is not 'cash-in'.

In any business, only two things are happening: value is being generated (income) or value is being destroyed (expenses).

COLOUR™ ACCOUNTING

Profit is why the business exists. In the long run, that's what counts more than anything else. In the short run, other things may count more, like generating cash.

To judge the performance of the business you consider profit. The absolute size of the profit will be of interest. But you also want to judge it relative to what you used to generate that profit. One way to do this is to ask:

- How many assets in total did you use to generate the profit ('return')?

This ratio is called return on assets. It's calculated as profit/assets. Because the business invested in those assets, the measurement is also referred to as ROI. It's telling us how effectively the business used it's assets.

Measures of return, ROI, underlie all investment, and therefore underlie all strategic relationships. If you are going to commit this amount of asset value to the deal, what will this earn for you as a return? ROI should drive all business activities of the organisation.

EVERYTHING monitored by a company as a performance measure is a sub-set of ROI.

So, to develop a strategic relationship with a strategic customer, it is vital that you know the assets of your strategic customer and also you know what return they will make on their assets.

> **Strategic Account Managers need to communicate in a language that is compelling to the senior decision makers and influencers – financial language.**
>
> **Mark Robilliard**

How to increase ROI

Remembering that ROI is measured as profit/assets and the elements of profit are revenue and expenses, there are three ways to increase ROI on a given investment:

1. Use less assets to generate the profit. That is, invest less for the same or greater return (profit)
2. Increase revenue generated by the investment (more than you increase expenses)
3. Decrease expenses (in proportion to revenue)

Other Measures

Besides ROI, there are many other financial measures that can have a positive impact. In our experience companies tend to become fixated on certain measures, and blind to all others.

For example, companies that supply products such as Fast Moving Consumer Goods (FMCG) and pharmaceutical companies, tend only to focus on how they can influence revenue and margins for their customers. So, all their dialogue revolves around product, price and promotions to impact the account's revenue line. They ignore the potential to influence operating expenses and productivity for their customers.

Alternatively, companies who see themselves on the expense side of their customers only focus on how they can reduce expenditure for their customers. They ignore how they can help grow revenue.

For example, the catalogue printing and distribution industry has been reducing costs to customers for more than a decade, even though they are one of the most effective marketing mechanisms to help customers increase revenue.

Contrast this with the direct marketing industry in the US, that has spent decades understanding how they can improve response rates to direct marketing campaigns. They have extensive analysis on how page layout, fonts, colours and language used influence customers. So, the dialogue with their customers focuses on how to increase response rates and therefore their customer's revenue, not just on how they can reduce the costs of their services.

What is value in financial terms?

Your strategic customer defines value not with products and services but with results. To be relevant strategically, you need to understand the things that drive their business.

For your strategic customer, unless you can answer these types of questions, it will be more difficult for you to create value:

- Are they a high volume/low margin business or a low volume/high margin business?
- Do they own and manage their key processes or do they outsource these activities?

Only by understanding what financial metrics matter to your strategic customers, and what makes them significant can you begin to have strategic dialogue.

Your business presentations should include the financial metrics that matter to them, underpinned by a sound understanding of the reasons. You can effectively create the financial business case for your counterpart in support of your strategic relationship.

One of the most common mistakes companies make is delivering great value, but failing to monitor and report this value. It is critical to implement processes that regularly capture this calculation of value. You may be amazed at how significant this can be.

It is not your strategic customers responsibility to understand your full value; it is your responsibility to make sure they understand. To make sure they understand, you must have financial acumen.

For more financial insights read chapter 5, and to help you identify value you are delivering read chapter 7:

Managing B2B customers you can't afford to lose

BOOK

> If you don't understand what is important to the senior executives at your strategic account, how can you possibly determine where to focus your resources?
>
> Jim Melillo

Negotiation

A third set of skills is negotiation. Sales will have good tactical skills and know how to win this deal and if they are good will know how to preserve this relationship. In contrast, SAM has to be a good strategic negotiator. They must negotiate to develop broader and deeper relationships. They must be willing to accept clauses that may cause short-term pain but will strengthen relationships for years. For example, in the pharmaceutical industry when faced with a competitor priced at 25% of your price do you need to match immediately to maintain the business? Or, are there other price clauses that allow you to preserve the business and improve the strategic relationship?

Strategic negotiating skills will give you a strong competitive edge. A sound knowledge of negotiating skills, allied with a genuine respect for the needs of the other party, make a tremendous difference. For more information on improving your negotiation skills:

The Creative Negotiator

BOOK

Summary of differences: Skills

Influence skills	Sales	SAM
	Small need to influence in own organisation	High need to influence in own organisation
	Simple influence of a few people (external)	Complex influence of many people (internal and external)
	Influencing without authority is useful	Influencing without authority is essential
	Able to present below C-suite	Able to present C-suite

Summary of differences: Skills

Business Acumen	Sales	SAM
	Understands business needs	Understands business as a whole
	Financial acumen is useful	Financial acumen is essential
	Commercial acumen is useful	Commercial acumen is essential
	Product knowledge	Industry knowledge
Negotiation skills	Good tactical negotiator	Good strategic negotiator

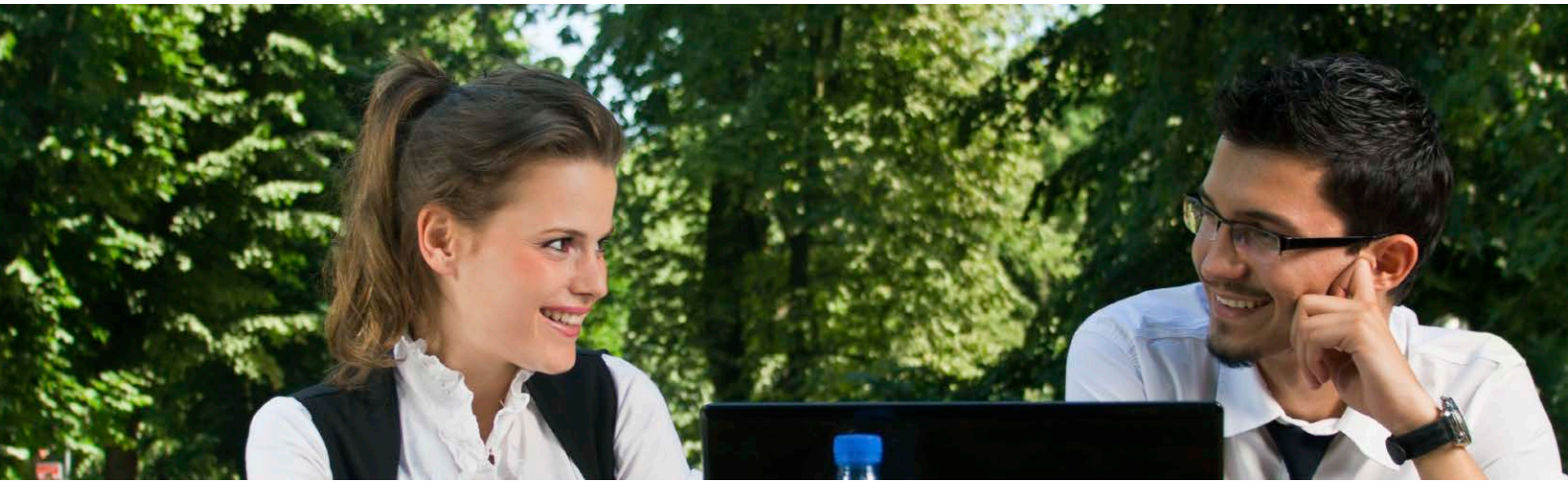
Planning skills

Planning & Implementation	**Sales**	**SAM**
	Short and medium-term planner	Long-term planner
	Implement strategy	Create and change your strategy

Other skills needed are planning skills, which by sales are usually for short and medium-term: this month, this quarter and this financial year. Typically, sales are expected to implement strategy. In contrast, SAM needs to plan long-term, starting with beyond this financial year. SAM will also change strategy to better suit the strategic customer and may create new strategy based on their insights from the C-suite of your strategic customer.

The final difference was suggested at a SAMA conference. It is offered slightly tongue-in-cheek. However, it does capture the fundamental difference between Sales and SAM.

> **You want to date sales;**
>
> **You want to marry SAM**



Chapter

Summary: Sales and SAM are not the same

As you have seen sales and SAM are different. They need different processes and different rewards to drive different activities. And in turn, they need different skills. As identified earlier, to implement SAM if you just introduce new skills, your organisation will fail. You must also change processes and rewards. Now you can see why you must have executive sponsorship.

Executive Sponsorship

Sales is business-as-usual using the existing meetings and reports, using the existing rewards. No change for the organisation. So, for sales there is no need for specific executive sponsorship.

> **Having an executive-level sponsor can be crucial for shepherding major projects, particularly those that cut across functions.**
>
> **Ron Ashkenas**

With SAM, you must have executive sponsorship because you need to change processes (meetings and reports), change rewards, change from departments working alone to departments working together. In summary, implementing SAM means changing the organisation. And you can't change the organisation without executive sponsorship. The executive sponsor ensures that SAM's goals are aligned with the overall strategy, gathers support and overcomes resistance, while providing ongoing direction.

How to be an effective executive sponsor

ARTICLE

Executive sponsorship is more than a memo. Executives need to attend some of the training and understand what SAM means for the organisation. Executives need to attend account reviews, so that they can understand and actively support what the account manager needs from other departments. Since the strategic account manager has no authority over the departments, he needs active and visible support from executives.

Opportunity is missed by most people because it is in overalls and looks like work.

Thomas Edison

Chapter

Questions to Challenge You

1. What percentage of your customers generate most of your revenue? What revenue does 20% of your biggest customers generate? What revenue do the top 10% of your customers generate?
2. How do you treat your top customers differently?
3. What are you doing to generate results in your next financial year?
4. How do your rewards encourage better results in your next financial year?
5. How do your processes encourage better results with your strategic accounts next financial year?
6. How would you rate your staff's commercial acumen, particularly about your best customers' business?
7. How are you developing more and deeper relationships with your best customer's C-suite executives?
8. For your best customers, how do you encourage cross-functional planning and execution?

Chapter

References

Peacock, G. & Kozicki, S. (2014) *Managing B2B customers you can't afford to lose*, Bennelong Publishing.

Sherman, S. & Sperry, J. & Reese, S. (2003) *The Seven Keys to managing strategic accounts*, McGraw-Jill Professional.

McDonald, M. & Rogers, B & Woodburn, D. (2000) *Key Customers: How to manage them profitably*, Butterworth-Heinemann.

Caslione, Dr. J.A. (2008) *Value Added Strategies: How to compete against price*, Andrew-Ward International Inc.

Vitasek, K. & Mandrot, K. (2012) *Vested – How P&G, McDonalds and Microsoft are redefining winning in business relationships*, Palgrave Macmillan.

Browne, P. & Peacock, G. (2014) *Leading Transformational Change Through SAM*, Velocity.

SKF. (2014) *Total Benefit of Ownership: Lowest price ≠ Lowest cost*, SKF Group.

Kozicki, S. & Peacock, G. (2011) *Persuading for Results*, Bennelong Publishing.

Ashkenas, R. (2015) *How to Be an Effective Executive Sponsor*, Harvard Business Review.

Kozicki, S. (2016) *The Creative Negotiator*, 2nd Ed, Bennelong Publishing.

http://www.coloraccounting.com/

The Problem

In many markets, fewer customers are generating more revenue. This trend has been increasing the concentration of revenue into fewer customers. Yet, some organisations continue to manage all their customers in the same way, through the salesforce.
However, the reality is all customers are not the same. Losing one of your customers who generates most of your revenue would be painful and in some cases fatal.

The Future

To manage risk for your organisation and to maximise opportunities for growth, your organisation must manage your most important customers differently.

In brief, your organisation must shift from just increasing sales for your strategic customers to increasing business results for your strategic customers.

Your business needs to shift from focusing on producing results in this financial year, to producing results for the next financial year. Sales can't do this, you need Strategic Account Management (SAM).

www.gordianbusiness.com.au

gordian-business

@GordianBusiness