SellingPower®

train your sales team

A HANDS-ON GUIDE FOR REPS AND MANAGERS

Build Winning Relationships with Strategic Accounts

Based on an interview with Sam Reese

What Is a Strategic Account?

An account is strategic if (and only if) the success of both firms is intimately tied to the health of the relationship. Because there are two firms involved, there are two criteria that must be met:

1. The account must view the relationship as critical to their ongoing, long-term success. Ideally, your firm should be involved in the development of business and organizational strategy within the account. By contrast, if the account merely views you as a commodity supplier that can easily be replaced and plays you off against your competition in order to push your prices down, the relationship is not yet strategic – even if the account is a major purchaser of your goods and services.

2. Your firm must view the relationship as critical to the ongoing, long-term success of your firm. For example, if the account is responsible for so much revenue that the loss of that revenue would significantly impact your firm's finances, the account is strategic. Similarly, if your business plans hinge upon future sales to that account, the account is strategic. Finally, if the relationship with that account is necessary to maintain your firm's credibility in the marketplace (e.g. a software reseller's relationship with Microsoft), the account is strategic. In short, if losing the account would significantly hurt your firm's business, the account is (or should be) strategic.

Note that both criteria must be met for an account to be strategic. If your firm considers the account strategic but the account views your firm as replaceable, the account is not yet strategic. Similarly, if the account views you as strategic, but the loss of the account would have no impact on your firm's business, the account is not strategic.

Selecting Strategic Accounts

The first step to developing and strengthening strategic accounts is to obtain general consensus inside your own firm on what accounts are (or should be) strategic. This cannot be done by the sales group alone. It requires the participation of every group that directly contributes to the operation of the

This PowerTraining module is based on an interview with Sam Reese, the CEO of Miller Heiman, a global sales-training organization whose clients include Marriott Corporation, Dow Chemical, Pricewaterhouse-Coopers, Pepsi, Schwab Institutional and Wells Fargo. Reese was previously corporate vice president for sales and marketing at Corporate Express and head of commercial sales at Kinko's Inc., where average account billing increased fivefold during his tenure. Miller Heiman is headquartered at 1595 Meadow Wood Lane, Suite 2, Reno, Nevada 89502. Tel: 1-877-678-3380. Web: www.millerheiman.com

company, including marketing, engineering, finance, support, manufacturing, etc. This is essential because strategic accounts often require specialized support from organizations outside the sales group.

For example, suppose a strategic account requires a specialized piece of equipment which would be uneconomical for your firm to manufacture, but which represents an opportunity to become embedded in the account's business plans. Unless your firm's engineering and manufacturing group are on board with the idea that the account is truly strategic, they're likely to balk when asked to manufacture the specialized equipment. By contrast, if engineering and manufacturing both understand the importance of the account, they're more likely to support the logic of taking a short-term tactical loss in order to win a long-term strategic gain.

Quick Tips for Your Next Sales Meeting

Have your strategic account managers assess their current ability to develop a strategic account by asking themselves these questions:

- Does the account consider me a strategic resource?
- Do my account contacts regard me as crucial to their own success?
- Am I truly adding value to the account?
- Do I have expertise outside of my own firm's products and services?
- Do I have sufficient sales skills to close business when required?
- Do I have clear and measurable goals for my strategic accounts?

Four steps to achieving consensus about strategic accounts:

Step 1: Build a Profile.

Define the kind of account that might be strategic. For example, a start-up company that's selling innovative technology but lacks market credibility might seek a strategic account that has an easily recognizable brand name and a reputation for successfully implementing new technology.

Step 2: Identify Accounts.

Using the profile, look for accounts or potential accounts that meet the profile. Pay particular attention to accounts to which your firm can add unique value, helping the account achieve a goal, avoid a problem or fulfill a need.

Step 3: Set Goals and Limits.

For each candidate account, set specific revenue goals and timelines for achieving them. In addition, set limits on the amount of resources (financial and human) that your firm is willing to expend in order to develop and maintain the account. This is important because it prevents strategic account spending from spiraling out of control.

Step 4: Monitor Progress.

Consensus is an ongoing process. Every group that's needed for the support of strategic accounts should be constantly informed about the measurable success (or failure) of the strategic account effort.

Becoming a Strategic Vendor

In many cases, the challenge is to transform a run-of-the-mill account into a strategic account. In order to do this, you must embed your firm's products and services deep inside the account's own strategic plans. There are generally two keys to accomplishing this: uniqueness and account penetration.

1. Uniqueness. Your firm's products or services must be unique in order to differentiate your firm from the competition. The three most common types of uniqueness are:

a) De-facto Monopoly: If your firm is in the fortunate position of offering an essential product or service that no other company can provide, then you can forge a strategic relationship with virtually any company that needs that product or service. A prime example of this is Microsoft, which uses its de-facto monopoly of desktop operating systems in order to penetrate into other software categories. This type of uniqueness is rare and precious.

b) Being Best-in-Class: Whatever your firm does better than other firms can potentially drive a strategic relationship. Note that this kind of uniqueness need not be tied directly to your actual product or service as offered to the rest of the (nonstrategic) world. For example, a company that sells a replaceable commodity product might have world-class expertise in volume manufacturing. That expertise could presumably be "lent" to a strategic account in order to reduce its manufacturing costs.

c) High Cost of Replacement: If it would cost the account a prohibitive amount to replace your firm's products and services, you have a strong potential to build a strategic relationship. However, this type of uniqueness is only useful after a sale has been made, because prior to the sale, the account is likely to see it as a liability rather than an asset.

2. Penetration. You must obtain access to the inner workings of the account so that your firm is involved in the account's strategic planning. Ideally, you want your firm represented at any internal meeting inside the account that offers the potential for additional sales of your firm's offerings.

In order to accomplish this, the mere presence of the account team inside the account must add value to the account. The

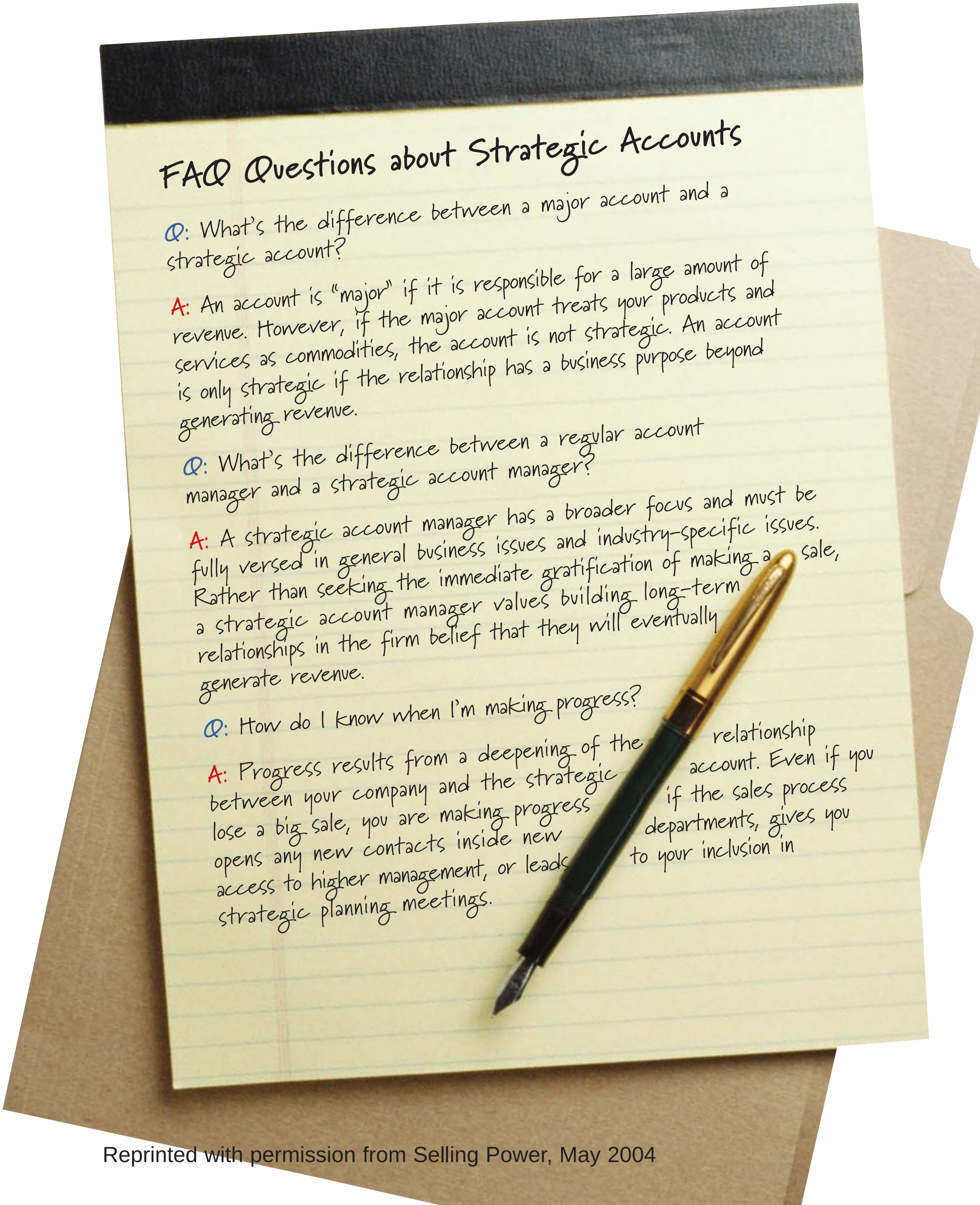
Use the space below to make your own notes on winning strategic accounts.

account team must learn everything they can about the account's goals, problems and needs and then be able to articulate clearly how your firm's unique offerings can help. Beyond this, the account team must be able to bring additional expertise to the table, such as a broader industry perspective, additional contacts that might prove useful to the account, and expertise that doesn't involve the sale of your firm's offerings.

For example, IBM sometimes assigns an employee as a general IT consultant inside Fortune 100 firms. In addition to being a sales representative, that employee is mandated to act as an independent IT resource that the account would otherwise have to hire separately as a consultant. In addition to helping the account implement and support its IT systems, the employee acts as a clearinghouse for any problems that occur and a source of information about IBM's offerings.

In many cases, these strategic account managers add so much value that the account actually gives them an office at the account's own facility. As a result, IBM often has a presence during strategic and planning meetings that results in the firm getting the inside sales track for large, strategic and potentially profitable projects.

– GEOFFREY JAMES



FAQ Questions about Strategic Accounts

Q: What's the difference between a major account and a strategic account?

A: An account is "major" if it is responsible for a large amount of revenue. However, if the major account treats your products and services as commodities, the account is not strategic. An account is only strategic if the relationship has a business purpose beyond generating revenue.

Q: What's the difference between a regular account manager and a strategic account manager?

A: A strategic account manager has a broader focus and must be fully versed in general business issues and industry-specific issues. Rather than seeking the immediate gratification of making a sale, a strategic account manager values building long-term relationships in the firm belief that they will eventually generate revenue.

Q: How do I know when I'm making progress?

A: Progress results from a deepening of the relationship between your company and the strategic account. Even if you lose a big sale, you are making progress if the sales process opens any new contacts inside new departments, gives you access to higher management, or leads to your inclusion in strategic planning meetings.

As featured in Selling Power

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Whether your company has $50,000 or $5 million in sales, chances are that at least half your revenues come from a few crucial accounts. What does it take to keep them going strong? A proven sales process.

Miller Heiman's *Large Account Management Process*SM helps improve the effectiveness of your key account management. It shows you how to position yourself with senior people in the buying organization and deliver the results that matter most.

Start increasing your revenue and improving your most important business relationships. Call and speak with a Miller Heiman representative today!

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