

Extrication of Key Accounts Amidst Existing Customers – Pivot for Effective KAM



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Problem Statement: *Business nowadays relentlessly tries to acquire inimitable core competencies to achieve sustainable competitive advantage. Sustainable competitive advantage depends on effective management of strategically important customers (Key customers) popularly known as Key accounts. The bargaining power of the strategically important customers is mounting exponentially; it requires special attention in satisfying unique mix of benefits desired by key accounts. Thus the identification, evaluation and extrication (separation) of strategically important customers from existing customer base, plays paramount role in determining long run prosperity of the firm*

Approach: *A survey was conducted to ascertain the factors influencing the selection of key accounts from amongst existing customer base, formulate strategies to augment the long term mutually beneficial business relationship with the key accounts.*

Methods: *Data were analyzed using statistical techniques such as, Factor analysis, Cronbach's alpha, Correlation Coefficients, KMO (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) and Bartlett's test, Scree Plots and percentage analysis.*

Results: *The assessment unearthed various factors affecting the selection of key accounts from amongst existing customer base, Order stability and regularity, risk of bad debts and credit were prominent.*

Conclusions/Recommendations: *Recommendations include changes or new initiatives in following aspects, all of which contribute to augmentation of effective management of key accounts and ensure sustainable competitive advantage and sizeable market share; in the areas of scientific selection of key accounts, strategic relationship management strategies and foreseeing the requirements of key accounts and addressing them with utmost precision.*

Keywords: Key Account, Key Account Management, Extrication, Sustainable Competitive Advantage

1. Introduction

KAM is considered as a management approach adopted by selling company. It builds portfolio of loyal key accounts (also termed as major accounts as they form substantial portion of selling company's business/sales). Such accounts are offered on a continuous basis by adding value to standard product &/or service package. Appropriate technical, social and process links get established once this concept is accepted to be practiced by both; a buyer and a seller. The focus is on building relations rather than on transactions. The following Table-1 compares characteristics of both transactional and relational approaches.

Table 1 Comparison of Characteristics of Transactional and Relational Focus

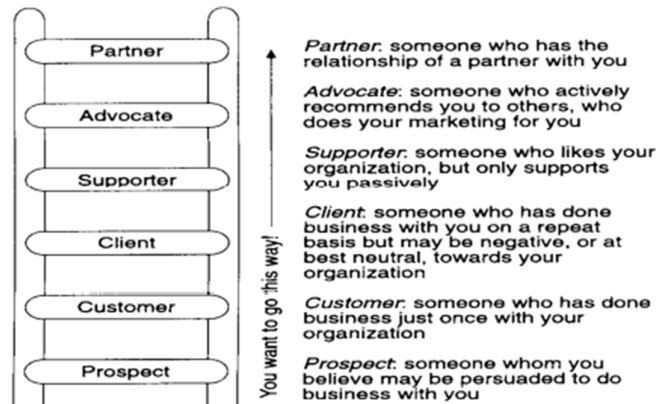
Transactional Focus	Relational focus
Single sale	lifetime value to the customers
Product features	Customer satisfaction
Tactical promotional campaign	Strategic marketing
Short term reward structure	Varied reward structure
Contact with customer only during sale	Continuous customer contact
Limited point of contact / influence	Contact and influence from board room to shop floor
Sales person guards his access to customer	Team approach to intercompany communication
Limited commitment	Extensive commitment
Quality policed by quality control (Q.C)	Quality by whole team or organization

Source: *Adapted from: Malcolm Macdonald; Beth Rogers; Diana Woodburn, " Key Customers:How to manage them profitably" Butter worth Heinemann (2000)*

Loyalty Ladder

As the customer makes repeat purchases, the seller shifts the focus from transactional state to relational state and the customer starts climbing loyalty ladder as depicted in the Table-2 below. With the first order, the buyer becomes a customer from a prospect; with repeat orders moves to a status of a regular customer. The relations over time make the buyer a supporter. The mutually beneficial relations between buyer and seller, turns a buyer to be an advocate for the seller. Over time, buyer & seller become partners in good as well as bad times. The seller devises strategies to make the loyalty stronger and help buyer climb the loyalty ladder.

Table 2 Ladder of customer Loyalty



Source: http://www.emeraldinsight.com/content_images/fig/1080040607002.png

2. Literature Review

Key Account Management Definitions

For the purpose of this study, three terms related to KAs need to be defined: key account, key account management and key account manager. First, it is necessary to have a clear understanding of how to define KA. In this study, the term key account is defined as customers in a business-to-business market, identified by the selling company as the most important customers and serviced by the selling company with dedicated resources (Workman, Homburg and Jensen 2003). Second, Workman, Homburg and Jensen (2003, p. 7) defined key account management as “the performance of additional activities and / or designation of special personnel directed at an organization’s most important customers.” This definition implies two things: 1) KAs have been identified as requiring special treatment and 2) that the selling company has directed additional resources to these accounts. Finally, key account manager is defined as the individual designated by the selling firm to serve as an internal advocate for his or her KAs. This definition is consistent with the one offered by Sengupta, Krapfel and Pusateri (2000, p. 253): “A key account [manager] salesperson is responsible for maintaining and developing direct relationships with a few customer accounts that cut across product and geographical boundaries.” It is the primary responsibility of the KAM to assess the customer’s needs and to act as an advocate for his or her accounts within the selling organization.

KAM Research

We subsume under KAM all approaches to managing the most important customers that have been discussed under such diverse terms as key account selling, national account management, national account selling, strategic account management, major account management, and global account management. “National account management” has become a misnomer, as business with important customers increasingly spans country borders (CoUetti and Tubridy 1987). Although some research has focused on global accounts (Montgomery and Yip 2000; Yip and Madsen 1996), KAM appears to be the most accepted term in recent publications (Jolson 1997; McDonald, Millman, and Rogers 1997; Pardo 1997; Sharma 1997) and is the most widely used term in Europe.’

Table 2 presents a summary of selected KAM research. We segment this research into articles focusing on [1] individual key account managers [2] dyadic relationships between suppliers and key accounts [3] the design of key account programs. Because group 1 takes the individual key account managers as the unit of analysis, it is similar to personal selling research. Weeks and Stevens (1997) find considerable dis-satisfaction of key account managers with their current training programs. Boles, Barksdale and Johnson (1996) identify behaviours required of key account sales people in order to build successful key account relationships. Group 2 is closely related to relationship marketing research. Several authors describe an evolutionary path of involvement and collaboration (Lambe and Spekman 1997; McDonald, Millman and Rogers 1997). Sharma (1997) finds that customers preference for being served by key account programs is particularly high whenb their buying process is long and comples. Sengupta, Krapfel and Pusateri (1997b) study switching costs in key account relationships. Groups 3, focuses on overall management of key accounts, is the largest group, consisted with Pardo’s (1999 P.286) conclusion that “Today, key account experts on both sides of the Atlantic agree on .. the problem of key account management as being an organizational one”. Although all studies in group 3 deal with the design of key account programs, none of these integrates

the main aspects of key account program design within one study. Four main themes emerge from the literature on key account programs. First, key account programs encompass special (inter organizational) activities for key accounts that are not offered to average functions. These special activities pertain to such areas as pricing, products, services, distribution and information sharing (Cardozo, Shipp and Roering 1992; Montgomery and Yip 2000). Secondly, key account programs specially involve (inter organizational) actors who are dedicated to the key accounts. These key account managers are typically responsible for several key accounts and report high in the organization (Colletti and Tubridy 1987, Dishman and Niste 1998, wotruba and Cattleberry 1993). They may be placed in supplier's headquarters, in the local sales organization of the key accounts country, or even key accounts facilities (Millman 1996; Yip and Madson 1996). It is frequently stretched that key account managers require compensation arrangements and skills which have implication for their selection, training and career paths (Colletti and Tubridy 1987; Tice 1997). Third, KAM multifunction effort involving, in addition to marketing and sales, functional groups such as marketing, sales, production and finance (Shapiro & Moriarti 1984b. Fourth, the formation if KAP is influence by characteristic of buyer and the market environment, such purchase centralization, purchase complexity, demand concentration and competitive intensity (Boles, Johnston 1999, Gardner 1980). We observe several short comings in the past research. First, the previous design issue is studied mostly in isolation and has not been converted into coherent framework. (Shapiro and Moriarty's 1984a P.34) assessment that "the term national account management program is fraught with ambiguity" is still valid. Second, there is general lack of quantitative and empirical studies on the design issues, particularly on cross functional linkages of KAM. The quantitative that has been undertaken has essentially been descriptive and has not systematically developed and validated measures. The much of the empirical work that has been done is based on observation in large fortune 500 companies with sophisticated, formal key account programs. This excludes small and medium sized companies that actively manage relationships with their key accounts, but do not formalize the KAM approach. Quantitative empirical research has not taken up Shapiro and Moriarty's 1984a P.5) comment in their early conceptual work, that "the simplest structural option is no program at all". Fourth, given that conceptual work has been mentioned a variety of structural options (Shapiro and Moriarty's 1984a) there is no broad based empirical work that allows generalizations about how KAM is done in practice. We now position KAM research in a wider research context and evaluate the contribution of related research to the open issues in the KAM literature.

Authors	Year	Empirical basis	Dimension discussed	Main focus / key statements
Group 1: Research on Key Account Managers				
Boles, Barksdale & Johnson	1996	73 national account decision makers from NAMA list		Identifies sales person attitudes, skills and activities that are appreciated by Key account decision makers
Weeks and Stevens	1997	133 NAMA members		Key account managers are dissatisfied with sales training programs. Descriptive on experience and skills of key account managers
Group 2: Research on Key account relationships				
Lambe and Spekman	1997	187 managers mostly U.S. based		Explores difference between national account relationships and other types of strategic alliances
McDonald, Millman and Rogers	1997	Interviews with 11 key account managers / purchase manager dyads		Describes the development of Key account relationships from pre-KAM transactional phase to collaborative relationship that goes along with increasing complexity of involvement
Pardo	1997	20 interviews with key accounts of telecom and electricity companies		Suggest 3 ways that key accounts perceive KAM: Disenchantment, interest and enthusiasm. Moderators of KAM program perception by the customers are perceived product importance and centralization of purchase decisions.
Sengupta, Krapfel & Pusateri	1997b	176 NAMA members in manufacturing and service companies		Switching costs in Key account relationships
Sharma	1997	109 interviews with buyers of telephone equipment		Customers preference for KAM programs depends on levels involved in purchasing, functions involved in purchasing and time taken for purchasing
Group 3: Research on KAM approaches				
Colletti and Tubridy	1987	105 NAMA members	Actors	Explores reporting level, time utilization, compensation and required skills of account managers
Dishman & Nitse	1998	27 interviews with NAMM members whose key account program is older than 5 years	Actors	Implementation options of national account management are cooperation with existing sales force, company executive or a separate sales force. Descriptive of number and size of customers in KAM program
Montgomery and Yip	2000	195 managers from 165 manufacturing and service companies	Activities, actors, outcomes of KAM program	Use of global account management structures will increase. Use of global account management structure is driven by customer demand. Customer demand encompasses co-ordination of resources, uniform terms of trade and consistency in service quality and performance

Napolitano	1997	NAMA studies among fortune 1000 companies [no sample size provided]	Actors, outcomes of KAM	The number of national account managers have been tripled between 1992 – 1996. 53% of companies report poor partnering with customers
Pardo, Salle and Spencer	1995	10 interviews within one telecom company	Activities, actors and resources	Case study of Key account program over 20 years.
Pegram	1972	250 interviews with executives in manufacturing and service industries	Activities and actors	Describes alternatives for assigning KAM responsibility on a part time or full time basis
Platzer	1984	130 interviews with national account executives	Activities, actors, resources, outcomes of KAM	Describes activities of KAM. Describes of national account units. Describes success factors of national account programs.
Sengupta, Krapfel, Pusateri	1997a	176 NAMA members in manufacturing and service companies	Actors and outcomes of KAM	Descriptive statistics on growth of KAM approaches and key account manager workload. Identifies customer based compensation as a success factor of KAM.

Identifying Key Accounts:

The company explores those candidates for a ‘key/major account’

- (i) Who has potential to be a life time customer if nurtured?
- (ii) Who has high switching costs once he has bought from the company,
- (iii) Who values high service levels and is willing to pay for it,
- (iv) Who values brand and long term relationship with a seller.

Once identified, the company devises strategies to enhance customer value for key customers in the following ways:

- By adding financial benefits such as loyalty discounts, better credit terms and financial services
- By adding social benefits such as club membership, theatre trips, sports, events.
- By adding structural ties as special delivery arrangement and EDI-electronic data Interchange

The identification is not only based on current volume/value but the life time value of a customer. It can be determined by multiplying annual customer profitability (revenue-costs of servicing) by number of years customer is likely to need product/service e.g. US car dealership chain has a customer life time value of \$300,000 for car purchases & servicing over his/her lifetime.(James Heskett et.al.HBR March-April 1994)It is believed that when both buyers and sellers agree to build long term relations with each other and willing to share the data and invest in systems and processes, it culminates into integrated KAM(Key account management).

Key accounts by definition are few in number. (Applying 80/20 rule , these few accounts typically contribute substantial portion of seller’s revenues. Both the parties agree to share information on sensitive subjects .e.g. Transparent costing system. The seller eventually tries to become a sole supplier. Also as a service, seller may handle secondary supplies on behalf of a buyer to offer one stop solution to needs .e.g. Wesco Distribution Inc. supplies electrical equipment and supplies (EES)needed for channeling and using electricity to its key customers and offers the convenience of one stop access to all their EES needs. Over time mutual trust gets developed among two parties, wherein there is no room for opportunism. Jointly, senior management from both sides develop long term strategic plan for better profits for both.

3. Objectives of the Study

Stated objectives of the current study are as follows:

1. To evaluate current customer base.
2. To Identify the Key Customer amongst the existing customer base.
3. To statistically evaluate the factors influencing the selection of key accounts.
4. Suggesting strategies for effective key account management.

4. Research Methodology

Bellary a tier-II city from Karnataka has been chosen for the purpose of the study. Purposive sampling procedure was followed to select sample respondents from the customer base of the said company, looking into convenience 30 executives from sales department of different companies were chosen. The basic research design is based on primary source of data; however, secondary sources are also taken into consideration. Data were collected from the above respondents, using interview schedule specifically designed for the purpose; Tabulated data was analyzed with the help of statistical techniques such as, Correlation coefficients, Mean, Variance, Standard Deviation, Factor analysis and simple percentages, to know the extent of identified factors determining the key customers from amongst existing customer base, which will form a vital input for object oriented effective Key Account Management Function. The data for this thesis was gathered through questionnaire interviews, literature, internet sources. The questionnaire interviews were conducted with sales personnel of select companies.

5. Data Analysis

Item Statistics			
	Mean	Std. Deviation	N
Order Stability And Regularity	3.90	1.517	30

Risk Of Credit Or Bad Debt	2.83	.874	30
Opportunity For Cross Selling	2.83	1.177	30
Prospect Expanding Market Base	3.20	1.243	30
Opportunity For Strategic Alliance	2.27	1.048	30
Prospects Financial Stability	3.37	.928	30
Relation With Prospect Co Mgt	3.07	1.015	30
Strategic Fit	2.67	1.241	30
Looking For One Stop Solution	3.47	1.252	30
Status Reference Value	2.90	1.125	30
Client Looking For Innovative Solutions	2.90	.662	30

Reliability Statistics

Cronbach's Alpha	N of Items
.832	11

Cronbach's alpha is .832, signifying that there exists a high internal consistency.

Case Processing Summary			
		N	%
Cases	Valid	30	100.0
	Excluded ^a	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure

Summary Item Statistics

	Mean	Min	Max	Range	Max / Min	Variance	N of Items
Item Means	3.036	2.267	3.900	1.633	1.721	.192	11
Item Variances	1.254	.438	2.300	1.862	5.252	.251	11

Descriptive Statistics

The first output from the analysis is a table of descriptive statistics for all the variables under investigation. Typically, the mean, standard deviation and number of respondents (N) who participated in the survey are given. Looking at the mean, one can conclude that Order Stability and Regularity is the most important variable that influences the selection of Key account from the existing customer base. It has the highest mean of 3.90.

Item wise Distribution of Respondent's opinion on selected eleven criteria									
	Very Low	Low	Moderate	High	Very High	Total	Mean	S.D	Var
Order Stability And Regularity	-	-	27%	57%	17%	100%	3.90	.662	.438
Risk Of Credit Or Bad Debt	-	10%	17%	53%	20%	100%	2.83	.874	.764
Opportunity For Cross Selling	17%	20%	33%	23%	7%	100%	2.83	1.177	1.385
Prospect Expanding Market Base	10%	17%	37%	17%	20%	100%	3.20	1.243	1.545
Opportunity For Strategic Alliance	23%	43%	20%	10%	3%	100%	2.27	1.048	1.099
Prospects Financial Stability	-	20%	33%	37%	10%	100%	3.37	.928	.861
Relation With Prospect Co Mgt	-	3%	20%	60%	17%	100%	3.07	1.015	1.030
Strategic Fit	20%	23%	40%	3%	13%	100%	2.67	1.241	1.540
Looking For One Stop Solution	13%	7%	17%	47%	17%	100%	3.47	1.252	1.568
Status Reference Value	13%	20%	37%	23%	7%	100%	2.90	1.125	1.266
Client Looking For Innovative Solutions	27%	20%	7%	30%	17%	100%	2.90	1.157	2.300

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.833
Bartlett's Test of Sphericity	Approx. Chi-Square	180.643
	df	55
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) and Bartlett's Test: measures strength of the relationship among variables The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Looking at the table below, the KMO measure is **0.833**.

Bartlett's test is another indication of the strength of the relationship among variables. This tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is matrix in which all of the diagonal elements are 1 and all off diagonal elements are 0. You want to reject this null hypothesis. From the same table, we can see that the Bartlett's test of sphericity is significant That is, its associated probability is less than 0.05. In fact, it is actually **0.000**, i.e. the significance level is small enough to reject the null hypothesis. This means that correlation matrix is not an identity matrix

Correlation Coefficient The correlation coefficient between a variable and itself is always 1, hence the principal diagonal of the correlation matrix contains 1s. The correlation coefficients above and below the principal diagonal are the same. The determinant of the correlation matrix is shown at the foot of the table below.

Correlation Matrix											
	Order Stability And Regularity	Risk Of Credit Or Bad Debt	Opportunity For Cross Selling	Prospect Expanding Market Base	Opportunity For Strategic Alliance	Prospects Financial Stability	Relation With Prospect Co Mgt	Strategic Fit	Looking For One Stop Solution	Status Reference Value	Client Looking For Innovative Solutions
Order Stability And Regularity	1.000	-.455	.609	.395	.408	.444	.654	.495	.352	.418	.505
Risk Of Credit Or Bad Debt	-.455	1.000	-.497	-.444	-.477	-.645	-.609	-.689	-.430	-.543	-.507
Opportunity For Cross Selling	.609	-.497	1.000	.471	.401	.500	.529	.456	.359	.534	.642
Prospect Expanding Market Base	.395	-.444	.471	1.000	.328	.383	.618	.537	.270	.138	.612
Opportunity For Strategic Alliance	.408	-.477	.401	.328	1.000	.357	.631	.415	.559	.608	.537
Prospects Financial Stability	.444	-.645	.500	.383	.357	1.000	.559	.799	.263	.466	.399
Relation With Prospect Co Mgt	.654	-.609	.529	.618	.631	.559	1.000	.703	.409	.550	.626
Strategic Fit	.495	-.689	.456	.537	.415	.799	.703	1.000	.414	.469	.546
Looking For One Stop Solution	.352	-.430	.359	.270	.559	.263	.409	.414	1.000	.328	.558
Status Reference Value	.418	-.543	.534	.138	.608	.466	.550	.469	.328	1.000	.403
Client Looking For Innovative Solutions	.505	-.507	.642	.612	.537	.399	.626	.546	.558	.403	1.000

Communalities

The next item from the output is a table of communalities which shows how much of the variance in the variables has been accounted for by the extracted factors. For instance over 90% of the variance in quality of product is accounted for while 73.5% of the variance in availability of product is accounted for.

Communalities		
	Initial	Extraction
Order Stability And Regularity	1.000	.509
Risk Of Credit Or Bad Debt	1.000	.633
Opportunity For Cross Selling	1.000	.552
Prospect Expanding Market Base	1.000	.540
Opportunity For Strategic Alliance	1.000	.760
Prospects Financial Stability	1.000	.694

Relation With Prospect Co Mgt	1.000	.745
Strategic Fit	1.000	.782
Looking For One Stop Solution	1.000	.611
Status Reference Value	1.000	.555
Client Looking For Innovative Solutions	1.000	.630
Extraction Method: Principal Component Analysis.		

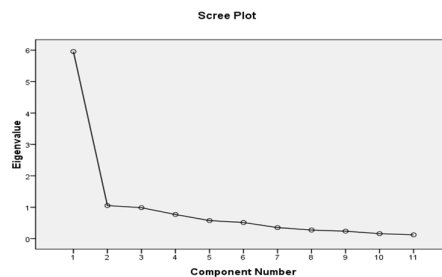
Total Variance Explained

The next item shows all the factors extractable from the analysis along with their eigenvalues, the percent of variance attributable to each factor, and the cumulative variance of the factor and the previous factors. Notice that the first factor accounts for 54.146% of the variance, the second 9.579% and all the remaining factors are not significant.

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.956	54.146	54.146	5.956	54.146	54.146	3.969	36.084	36.084
2	1.054	9.579	63.726	1.054	9.579	63.726	3.041	27.641	63.726
3	.987	8.973	72.698						
4	.769	6.991	79.690						
5	.575	5.232	84.921						
6	.514	4.670	89.592						
7	.352	3.199	92.791						
8	.273	2.484	95.275						
9	.238	2.165	97.440						
10	.160	1.451	98.891						
11	.122	1.109	100.000						
Extraction Method: Principal Component Analysis.									

Scree Plot

The scree plot is a graph of the eigenvalues against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curve starts to flatten. It can be seen that the curve begins to flatten between factors 2 and 3. Note also that factor 3 has an eigenvalue of less than 1, so only two factors have been retained.



Component (Factor) Matrix

The table below shows the loadings of the eleven variables on the two factors extracted. The higher the absolute value of the loading, the more the factor contributes to the variable. The gap on the table represent loadings that are less than 0.5, this makes reading the table easier. We suppressed all loadings less than 0.5.

Component Matrix ^a		
	Component	
	1	2
Order Stability And Regularity	.713	

Risk Of Credit Or Bad Debt	-.786	.124
Opportunity For Cross Selling	.743	
Prospect Expanding Market Base	.645	-.352
Opportunity For Strategic Alliance	.703	.516
Prospects Financial Stability	.728	-.404
Relation With Prospect Co Mgt	.861	
Strategic Fit	.817	-.339
Looking For One Stop Solution	.598	.503
Status Reference Value	.675	.315
Client Looking For Innovative Solutions	.785	.119
Extraction Method: Principal Component Analysis.		
a. 2 components extracted.		

Rotated Component Matrix ^a		
	Component	
	1	2
Order Stability And Regularity	.570	.429
Risk Of Credit Or Bad Debt	-.685	-.404
Opportunity For Cross Selling	.577	.468
Prospect Expanding Market Base	.721	.139
Opportunity For Strategic Alliance	.214	.845
Prospects Financial Stability	.819	.152
Relation With Prospect Co Mgt	.698	.507
Strategic Fit	.846	.259
Looking For One Stop Solution	.141	.769
Status Reference Value	.320	.673
Client Looking For Innovative Solutions	.530	.591
Extraction Method: Principal Component Analysis.		
Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

Rotated Component (Factor) Matrix

The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier.

Component Transformation Matrix		
Component	1	2
1	.771	.637
2	-.637	.771
Extraction Method: Principal Component Analysis.		
Rotation Method: Varimax with Kaiser Normalization.		

6. Findings

57% of the respondents weighed high and 17% weighed very high with respect to order stability and regularity as important criteria for selecting key account. 53% of the respondents weighed high and 23% weighed very high with respect to Risk of bad debts and credit as important criteria for selecting key account. 17% of the respondents weighed very low and 20% weighed low and 33% respondents weighed Moderate; considering opportunity for cross selling not so important criteria for selecting key account. 37% of the respondents weighed high and 10% weighed very high, with respect to Risk of bad debts and credit as important criteria for selecting key account. 60% of the respondents weighed high and 17% weighed very high with respect to relation with prospect company management and credit as important criteria for selecting key account.

Findings - Factor Analysis

a) **Scree plots:** The scree plot is a graph of the eigenvalues against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curve starts to flatten. It can be seen that the curve begins to

flatten between factors 2 and 3. Note also that factor 3 has an eigenvalue of less than 1, so only two factors have been retained.

- b) **Table of communalities:** The next item from the output is a table of communalities which shows how much of the variance in the variables has been accounted for by the extracted factors. For instance over 90% of the variance in quality of product is accounted for while 73.5% of the variance in availability of product is accounted for.
- c) **Component (Factor) Matrix:** The table below shows the loadings of the eleven variables on the two factors extracted. The higher the absolute value of the loading, the more the factor contributes to the variable. The gap on the table represent loadings that are less than 0.5, this makes reading the table easier. We suppressed all loadings less than 0.5.

Rotated Component (Factor) Matrix: The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier.

Conclusion and Recommendations

Popular marketing axiom “80% of the business comes from 20% of the customers” still holds good; long term sustainable competitive advantage can be assured when these 20% key customers [key accounts] are kept in good humour. Thus, the concept of key account management [KAM] has accumulated paramount importance in modern day organizations; the selection of key accounts from amongst the existing customer base, is very vital part of successful KAM activity; this study unearthed several factors influencing the selection and separation of Key accounts and statistically evaluated them. The changing environment of business-to-business markets demands an alternative approach to the management of customer relationships. The findings of this research study provide sufficient theoretical evidence to motivate the use of a KAM approach by suppliers to create long-term relationships with strategic customers. In a KAM approach these relationships become the source of value and benefits are co-created and exchanged by both parties to the relationship (Pardo et al., 2006: 1365-1366). KAM is therefore not an ad hoc approach to develop good relationships at all costs, but rather a deliberate and systematic process to develop criteria for selecting strategic customer, design strategies to serve the strategic customers and integrate these strategies by the supplier organization.

7. Recommendations

- i) The successful execution of a KAM programme should have its origins firmly entrenched in the business corporate strategy. This provides the necessary commitment from senior management and key performance indicators to measure its success.
- ii) The selection of strategic customers should follow a systematic process guided by carefully selected criteria that are of strategic value to the business.
- iii) “Bigger is not necessarily better”. In selecting strategic customers management must take cognizance of not only what the business is worth, but more importantly, what it will cost the business in the long term. Certain “big” customers may remain transactional customers forever.
- iv) Strategic customers are not all the same and the strategic choices to manage these customers should therefore reflect the individual needs of each customer. This will have implications for the supplier company in terms of resource allocation to its various strategic customers.
- v) KAM strategy development should have the input from the entire management team and the KAM programme that follows should incorporate all the available skills to manage strategic accounts.
- vi) “Knowledge about Customer makes you Rule the market”. The KAM strategy development process will demand that all possible sources of information regarding potential strategic customers, competitors and the strategic customers’ industry be explored and information platforms be created to accumulate and analyze this data.

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