CASE STUDY

Lessons from Aerospace:

How to get your Key Account Management Program Flying

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In 1993 the new MD of a global aerospace manufacturer formed a small task force to undertake a thorough marketing audit of the business and recommend a strategic agenda to improve its competitiveness. From this team of two salesmen, two engineers, a graduate and a consultant came the beginnings of a major change program to introduce global account management to the whole company. The Account Management program was to take five years and touch every member of staff around the world. It helped to bring about marked changes in revenue growth, turnrounds in customer satisfaction and a new global teamworking culture.

However, it was not without its problems and of course, mistakes were made along the way. With the benefit of hindsight these can be identified and the lessons of how to design, launch and fly a successful Key Account Management (KAM) program can now be told from an aerospace perspective.

The Company

The company manufactures electronic and electro-mechanical systems for engines and airframes for the world's primary aerospace manufacturers. These customers include Boeing, Airbus, Rolls Royce and British Aerospace. It also provides spares and maintenance support to the world's aircraft operators. There are thousands of these "aftermarket" customers who range between the large airlines (e.g United, Delta, British Airways, Cathay, QANTAS) to the single-aircraft operators and from military operators (e.g Royal Air Force) to cargo carriers (e.g UPS, DHL, Federal Express).

Whereas the engine-makers and airframers already had some degree of coordinated Account Management from this company, the aftermarket was highly fragmented and it was not unusual to have two

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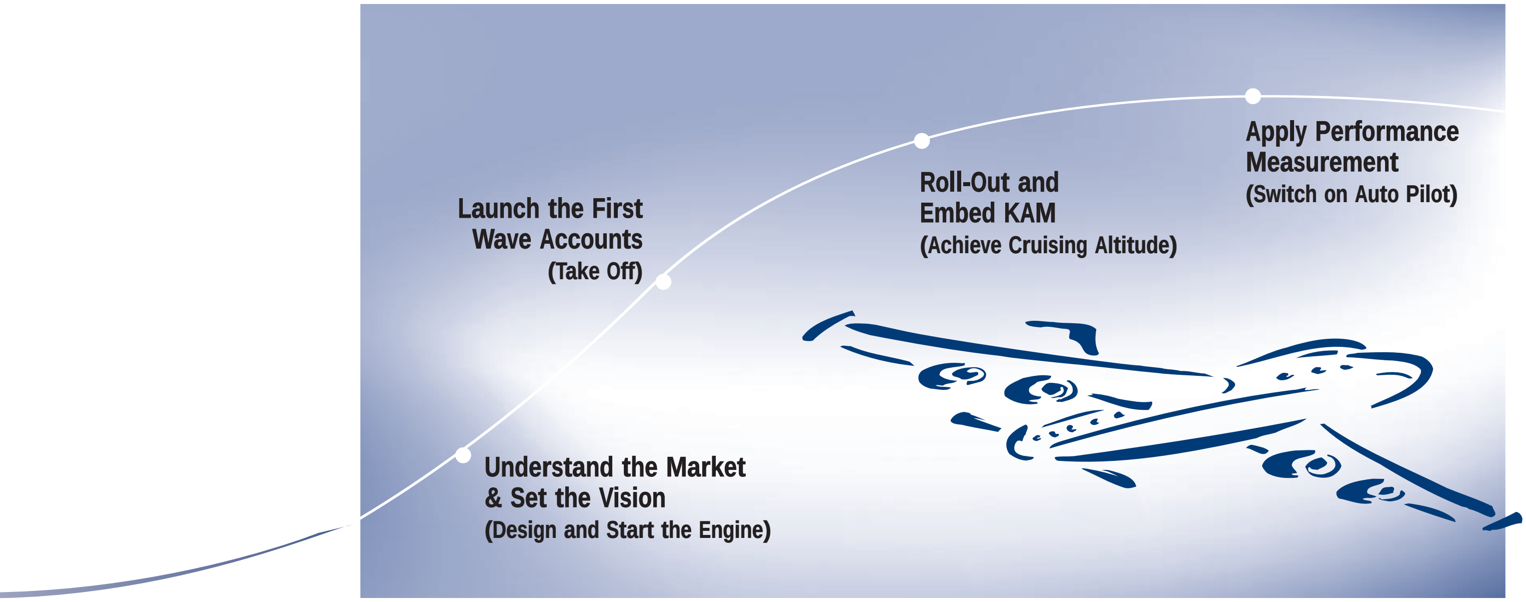

business units within the Aerospace company compete with each other. This aftermarket area was the focus of the KAM program.

The Issues

The aftermarket business suffered from three main problems:

1. Low Customer Intelligence
- There was no pooling of customer data
- There was limited understanding of where there were global interactions
- There were no measurements at a global customer level (e.g no one knew who were the largest accounts world-wide)

2. Low Market Intelligence
- There was conflicting guesses of market share by region, product and customer
- No one knew how good the business really was against the competition

3. Low Coordination of Selling
- Each function, factory and SBU thought they owned the customer relationship
- There was no overall customer prioritization
- Some customers were visited to death, others not at all

There were many instances of this in practice. One salesman reported back to me how he had gone into an airline to close an important leasing deal which he had spent months negotiating, only to be told that the airline had an AOG (aircraft on the ground costing thousands of dollars in lost revenue) while waiting for a spare part from another business unit–who had put them on credit hold.

The Solution

A phased program was developed that used a multifunctional task force approach to set the vision for KAM and get initial accounts running in each of the three global regions.

Phase 1: Understand the Market & Set the Vision (Design & Start the Engine)
- Surveys were undertaken with major customers to understand their aftermarket needs. These were used to re-segment the customer base along a spectrum from partnership-driven to price-driven prospects (regardless of their civil, military, passenger or cargo applications)

- Customer intelligence databases were developed that allowed the business to estimate their share of the customer's total aftermarket business
- Performance failures were diagnosed between the business and the customer, the business and the competition, and benchmark good practice relationship management outside the industry
- Priorities for action were then agreed between the task force and the executive Steering Group
- The KAM planning and review processes, team selection & structure and the information interfaces were then designed or specified (the KAM architecture)

Phase 2: Launch the First Wave Accounts (Take-Off)

An important element of the program was using pilot accounts to test and improve the KAM architecture. Europe were the first to start the engine by:

- Selecting the first wave of key accounts
- Identifying the respective account managers
- Selecting the global account teams
- Writing the initial account plans in structured planning workshops.

For the first time in its history, our company achieved a legendary 100% score on an independent assessement of its customers in the "ease of doing buisness" category.

The learning from this was fed into the American program before their engines were started. The learning from both starts were then fed into the Asia Pacific program.

By the end of 1994, global account teams had been formed and account plans written for a dozen customers worldwide. For the first time, teams had met together from around the world to share understanding of the customer, identify opportunities and agree on the goals and objectives for the customer. There was a much greater spirit of cooperation with agreement on actions to be pursued and also a greater willingness to share information.

Phase 3: Roll-Out & Embed KAM (Achieve Cruising Altitude)

The learnings from this first wave were documented in an Account Management Manual. The Manual acted to define the KAM philosophy, display executive commitment, be a guide to good practice and a toolbox for the account teams. The Manual was used for awareness, application and activity-based training across all functions from the top to the bottom of the organization and across all regions.

All the accounts were classified according to their priority for KAM. The Category A accounts were those that:

- Commanded strong influence in their market (e.g British Airways)
- Had high strategic impact on the business (e.g CrossAir: a medium-sized operator with an industry-known CEO)
- Committed to developing leading-edge products and services (e.g Singapore Airlines)
- Had high potential sales and profit (e.g Sogerma - an aircraft overhauler)
- Required significant business attention (e.g American)

Further key accounts were added to the initial wave such that by the end of 1995, all the Category A global accounts were being managed by the new KAM philosophy.

Phase 4: Apply Performance Measurement (Switch on Automatic Pilot)

Measures of Performance (MOPs) on the KAM program were established that tracked both determinants and results of its success. The determinants MOPs were directly linked to account management and demonstrated the amount of commitment to the program. The results MOPs were related to actual performance and demonstrated the impact on the business. These were tied as closely as possible to specific KAM factors and were both quantitative and qualitative.

The program produced 30 "live" (operational) Category A account plans worldwide covering 25% of the company's sales. These plans have identified an additional 20% of potential business on top of the routine (forecasted) business. To date, the company has achieved half of this additional potential. This is

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on top of achieving its routine sales forecasts.

There has also been a significant improvement in customer perception of the company. It has, for the first time in its history, achieved a legendary 100% score on an independent assessment of its customers for the "ease of doing business" with the company.

Furthermore, a substantial customer knowledge-base has been developed that allows the business to pool customer data, flag global interactions, measure market share at a customer level, and track the hot customer issues. Each business unit has been trained in the account management philosophy and the coordination process is much clearer.

The Lessons

Looking back on this exercise it would be foolish to think there were not any mistakes. It was, for example, too quick to select its account managers. More attention should have been paid to profiling what it wanted, rather than allocating what it had. Also, it was unable to fix the structural and reward problems that moving from a regional to a customer focused business demands. Finally, there are still significant information management challenges ahead in rationalizing fragmented, legacy, product-centric systems into a single customer-centric system.

However, it did have the most important ingredient — strong executive commitment. This manifested itself in regular senior reviews of the implementation of the program and a willingness to put high caliber task forces together to solve problems at an operational level. The up front investment in this ultimately paid off in the fact that many credible ambassadors were created to sell the program back within their department and implementation was much faster.

Crucial to the success was the idea of Learning by Doing. Companies should not try to design the KAM vehicle completely before launching it. The vehicle needs to have test pilots fly it to help design the systems and make sure they are working smoothly. This requires launching an initial set of accounts (few in number) and working up the design around them.

Establishing a successful KAM program is not easy, but its not rocket science either. What matters is that a carefully thought out program is designed at the start that pays attention to the many domains of change (processes, people and information), integrates them and recognizes that KAM is not purely a planning, training, or IT problem. Managing a KAM program is ultimately about managing change. Those that see KAM as a selling tool to give to their Super Sales Staff will fail. KAM is a philosophy not a sales technique and it requires significant change. As such, we should bear in mind the three rules of managing successful change: communicate, communicate, communicate.

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