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STRATEGIC ACCOUNT MANAGEMENT ASSOCIATION

The High-Performing SAM Series

THE STRATEGIC ACCOUNT MANAGER AS VALUE CREATOR

Developing approaches to create and deliver customer value

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Strategic accounts always ask for more from their suppliers, often in the form of added and distinctive value. Strategic account managers (SAMs) are crucial in building long-term relationships with key customers and in creating value for them.

In previous articles on high-performing SAMs, I outlined how SAMs develop account strategy. In this feature, I describe approaches SAMs can adopt to create and deliver customer value in ways that foster loyalty, advocacy, and profitability.

The approaches that I will outline in this article are based on several premises I want to share with you up front. First, a key assumption is that multilevel relationships are established. Strategic account managers are the architects of building strong relationships with various functions of their customers in ways that enable regular communication, understanding their business challenges and needs and often their personal interests and constraints. So, if your customers are willing to do business with you exclusively via requests for proposals (RFPs) or online auctions, these value creation principles do not apply.

The second premise is that you, as the SAM, have some leeway in personalizing the solutions you sell to your strategic customers and how you sell them. Each customer has idiosyncratic needs and specifications, and the extent to which you tailor your products and services to your customer's unique requirements creates value that is more relevant and impactful. If you are in a commodity business, characterized by a single delivery channel, then little can be done to create value beyond the product or service.

The third premise is that your organization values both *what* and *how* you sell. If your sole KPI is sales revenue, and it is focused on the short term (e.g., quarterly sales quota), then establishing trust, enhancing your customers' environmental, social, and governance (ESG) goals, and helping the customer "get their job done" will likely become secondary priorities in your agenda.

So, assuming that you interact with multiple stakeholders in your customer organization, that your product/service solution and customer engagement processes can be tailored to address meaningful customer interests, and that you and your business care about multiple dimensions of customer success, the remainder of this article aims to address the crucial question: *How can strategic account managers co-create value for their key customers?*

Surfacing hidden needs

Customers place significant value in your ability to help identify unrecognized needs.

For quite some time, the innovation management field has analyzed hidden needs that are hard to identify or that customers cannot easily articulate. Keith Goffin, an emeritus professor of innovation management at Cranfield School of Management in the UK, argues that traditional market research methods such as focus groups and surveys cannot identify hidden needs. Thus, businesses have to adopt newer, non-traditional research techniques.

Neil Rackham's influential book "SPIN Selling" demonstrated how real benefits are perceived by customers when sellers help them convert latent needs into explicit ones through structured questioning of their customers' situation, problems, implications, and need-payoffs.

Strategic accounts often take for granted that their SAMs will identify their needs through the analysis of their business and that they will identify their needs and pain points. By understanding the customer's challenges, suppliers can better tailor their products and services to meet customers' specific requirements. The problem is that just meeting requirements is not enough in today's competitive business environment. To deliver the solutions that customers document and specify is necessary but not sufficient. Thus, SAMs need to find new ways to surface hidden customer needs.

One approach to address hidden needs is the perspective of the customer's "jobs to be done," a theory developed by the late Clayton Christensen, a professor at Harvard Business School. This concept asserts that customers "hire" products and services to get "jobs" done rather than purchasing them based on their attributes and buying behaviors. A "job to be done" is a problem or opportunity somebody is trying to solve.

In order to identify these jobs, account managers need to spend time with their customers, and live and breathe their contexts and situations, as Christensen eloquently describes in the example of Milkshakes – Understanding the Job.[1] In that instance, he explains how his research team spent 18 hours in a fast-food restaurant to gain insights about when, how, and with whom consumers "hired" milkshakes. This ethnographic approach, that is, the systematic study of individuals in their culture and context, provides nontrivial insights about needs and motives of which even consumers may not be aware.

Goffin and his colleagues advocate for methods such as observation, contextual interviewing, and ethnographic market research.[2] They have also pioneered the repertory grid, a technique to identify customer attributes based on the personal construct theory, a well-established method in psychology to understand people's preferences. All these methods have the potential to provide novel perspectives. Although they may be time-consuming and the data needs systematic coding, these techniques address the fundamental issue that respondents are often unable to identify their needs, may not be able to articulate their thoughts and views, or may be unaware of their problems and interests.

Key customers demand a superior experience from their suppliers. SAMs orchestrate multiple relationships to enable a positive *total experience*. So with multiple interactions and experiences (e.g., specifying, procuring, using, and disposing of the product), how can you trace and measure *the experience*? Traditional methods do not address this multiplicity of touch points, so you and your organization need to consider other more nuanced approaches.

For instance, some leading companies like Ford and Kimberly-Clark use empathic design to tease out the most wanted features of items such as cars and disposable diapers. Unilever and Whirlpool embed ethnographic research to develop soaps and baths & showers, respectively, that better respond to their users' unstated interests. Other firms, such as 3M and Hilti, regularly employ lead-user research methods to develop innovative medical devices and industrial tools. Finally, Bosch and Hewlett-Packard have adopted novel ways of using the repertory grid technique to inform the design of production lines and medical equipment.

Identifying sources of value for the account

In the same way that strategic customers establish multiple contacts with their suppliers, there are multiple ways in which value can be created.

Eric Almquist and his colleagues revealed in a thought-provoking study[3] that there is a full range of rational and emotional factors that business customers consider when buying from suppliers. SAMs can use these factors to tailor their value propositions and differentiate themselves and their companies. These sources of value can be clustered into five dimensions:

- **Table stakes:** Typically objective criteria such as price, warranties, and service levels that the customer expects.
- **Functional:** Elements of your offering that address the client's need to optimize cost reduction and achieve higher levels of scalability.
- **Ease of doing business:** These are traditional customer productivity concerns, often materialized as demands for time savings, reduced effort, or improvements in operational performance.
- **Individual value:** Elements in this dimension typically address the individual priorities your customers have, whether they are personal (peace of mind, design, and aesthetics) or career-related (knowledge, innovation, and social capital).
- **Inspirational value:** The final source of value refers to elements that address the customer's hopes, deep motivations, and vision of the future. These factors help companies anticipate changes in their markets or enable them to enhance their ESG aspirations.

Is it enough for the strategic account manager to be able to identify the sources of value for customers? Not quite. Customers need to perceive those elements of value themselves, which often happens as a result of engaging in a structured process of co-creation. The SAM becomes instrumental in facilitating the space and the process to help key people in the strategic account become aware and address value drivers across the five dimensions outlined above.

Designing the end-to-end co-creation process

I see co-creation as an encompassing process that includes nuanced practices with one thing in common: the account puts into the process a similar amount of effort and resources than the supplier (if not more).

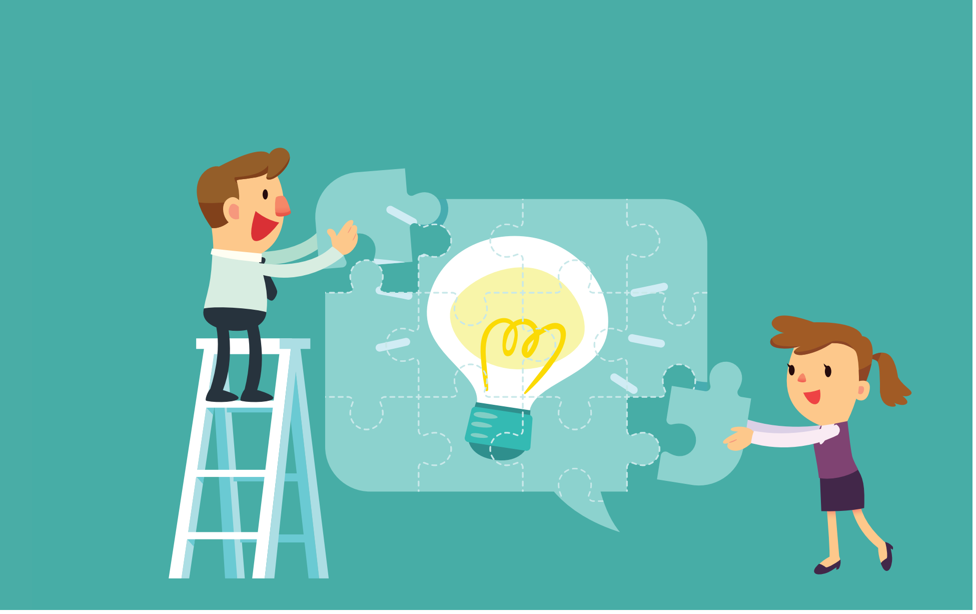
A study I conducted with some colleagues[4] revealed that co-creation often starts from *co-diagnosis*, the collection and organization of information for collaborative use. This can be articulated in a customer forum, where the strategic account manager engages key customers in problem formulation. For instance, Interfood, a leading manufacturer of high-quality dairy ingredients for industrial applications, would involve Danone in high-level discussions to find ways to better address the nutritional concerns of their consumers. This would then lead, often using design thinking methods, to the *co-ideation* or generation of ideas, and a more granular definition of the nature of the problem to address.

Typically, a well-defined purpose leads to a phase of *co-design*, in other words, developing concepts and knowledge that help the customer succeed. For instance, another leading food manufacturer, Unilever Food Solutions — known by the slogan "Created by Chefs for Chefs" — co-designs with customers a comprehensive set of menus that are nutritious and healthy, but also profitable.

Other approaches that help co-create customer value relate to *co-testing*, that is, prototyping and improving the offering, and *co-evaluation*, commenting and generating insights for further improvement of value propositions. For example, software company SAP co-creates knowledge and new solutions not only by involving customers, but also by deliberately bringing together several different partners from their ecosystems such as universities or governmental groups. This results in a co-creative process with a pronounced emphasis on connecting stakeholders with complementary capabilities.

Articulating and measuring the value created

Most companies know the features of their offerings and develop a detailed understanding of their customers' challenges. However, fewer than 5% make it truly meaningful for their customers, according to the analysis of 55 sales



pitches from 29 different companies in Europe by Business Acceleration, a Dutch consulting practice.

The SAM needs to translate value co-creation practices into concrete evidence of value using examples such as:

- Top-line growth value indicators (sales/quarter, market penetration, budget growth, consumer satisfaction).
- Bottom-line value indexes (reduced break rates, reduced employment costs, reduced energy costs).
- Business reputation and continuity measures, such as those intended to eliminate accidents and reduce rejects due to quality issues.
- Strategy value to achieve new market entry and diversify into a new product range.

Moreover, a convincing articulation of value and value propositions captures an improved future scenario for the strategic customer in compelling ways. It describes how unique combinations of products, services, and a particular relationship ethos will help the customer "get the job done."

Thus, I argue that developing approaches to co-create value is a necessary but not sufficient skill for the SAM. It's important to measure the results of your efforts to co-create value with your strategic customers. Joona Keränen, an associate professor at RMIT who specializes in shared value creation, developed a framework for assessing customer value in B2B markets that includes five processes.[5]

The first — value potential identification — comprises identifying the customer's explicit needs, understanding the customer's processes, and understanding the financial implications for the customer's business. The second process includes conducting a baseline assessment, determining customers' current performance, specifying mutual outcomes, and conducting trial runs.

Once value is created, the ensuing processes involve performance evaluation, specifying the value impact for the customer's performance, followed by long-term value realization. This requires verifying and documenting the realized customer value.

What I have described demonstrates approaches SAMs can adopt to create and deliver customer value in ways that foster customer loyalty and profitability. In concluding this article, I would like to share an insight that a colleague, Jesus Gomez, a former sales director for Mondelez International, offered when I asked him[6] how he identifies ways of adding value to his key customers. He replied, "Before talking about adding value, you have to cover something as basic as the agreed level of service. To keep and maintain key indicators for delivery and demand fulfilment is crucial."

If strategic accounts always ask for more from their suppliers, particularly in the form of added and distinctive value, then SAMs need to incorporate into their work systematic approaches to identify and deliver value. The approaches described above can help make a difference. ■

1 https://www.youtube.com/watch?v=sfGtw2C95Ms

2 Szwejczewski, M., Goffin, K., & Baxter, D. (2011). Identifying customers' hidden needs: An exploratory study. Cranfield School of Management. Retrieved March 27, 2023, from https://rb.gy/n366k.

3 Almquist, E., Cleghorn, J., & Sherer, L. (2018). The B2B elements of value. *Harvard Business Review*, 96(3), 18.

4 Marcos-Cuevas, J., Nätti, S., Palo, T., & Baumann, J. (2016). Value co-creation practices and capabilities: Sustained purposeful engagement across B2B systems. *Industrial Marketing Management*, 56, 97–107.

5 Keränen, J., & Jalkala, A. (2013). Towards a framework of customer value assessment in B2B markets: An exploratory study. *Industrial Marketing Management*, 42(8), 1307–1317.

6 Marcos, J., Davies, M., Guesalaga, R., & Holt, S. (2018). *Implementing Key Account Management: Designing customer-centric processes for mutual growth*. Kogan Page Publishers.

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