Chapter 17

Organizational issues and customer relationship management

Chapter objectives

By the end of this chapter you will understand:

1. **how various organizational roles use CRM tools**
2. **several ways of organizing the customer interface to achieve CRM objectives, including functional, geographic, brand or product, market or customer and matrix organizations**
3. **how IT acts as a proxy for structure in the networked or virtual organization**
4. **the role of key account management structures in CRM.**

Introduction

In this chapter you will learn about several front-office roles in which CRM plays an important role, and how companies organize their customer interface to achieve their CRM objectives. We will examine several roles that make significant use of CRM tools: sales representative, account manager, marketing manager, market analyst, campaign manager, market manager, customer relationship manager and customer service agent.

The chapter also examines organizational structures as they relate to CRM implementations. Organizational structures serve both to enable and to constrain business outcomes. For example, it is very difficult to promote creativity in a rule-bound bureaucracy. Conversely, a bureaucracy is highly conducive to obtaining compliance to standardized business processes. Similarly, it is a struggle to become customer-centric in a functional organization where specialists report upwards within silos, but do not share customer insight horizontally across silos. Consequently, there is no single correct structure that is suitable for all organizations. What is right depends upon the strategic goals of the business and we turn to this issue later in the chapter. First we review some of the roles that use CRM tools.

Organizational roles and CRM

Earlier in the book, we identified four different forms of CRM: strategic, operational, analytical and collaborative. Strategic CRM is focused on the development of a customer-centric business culture that is dedicated to winning and keeping customers by creating and delivering value better than competitors. Operational CRM focuses on the automation of customer-facing processes such as selling, marketing and customer service. Analytical CRM focuses on the intelligent mining of customer-related data for strategic or tactical purposes. Collaborative CRM applies technology across organizational boundaries with a view to optimizing company, partner and customer value. These different forms of CRM vary in their significance for the roles we examine here: sales representative, account manager, marketing manager, market analyst, campaign manager, market manager, customer relationship manager, and customer service agent.

Sales representative

Not all sales representatives perform the same role. For example, there are sales representatives who act as:

- **deliverer**: the representative who delivers bottled water for the office water cooler
- **order taker**: the shop assistant in an electrical goods retail store
- **missionary**: the pharmaceutical company representative whose job is principally to nurture relationships with doctors and specialists
- **technician**: the engineer who consults to clients considering the purchase of cranes and hoists
- **demand creator**: the representative who sells 'unsought goods and services', that is, products that have to be sold, rather than products that are sought after and bought, for example advertising space, insurance or encyclopaedias
- **solution vendor**: the representative who sells computer networks, or enterprise CRM suites.[1]

The selling challenge also ranges from taking stock fill orders that maintain inventory levels of basic commodities, to team selling of high-technology military systems to national governments. Some representatives focus on winning new accounts (hunters) and others focus on nurturing existing accounts (farmers). Whatever the sales role, representatives are typically exposed to operational CRM and use sales-force automation solutions that help them maintain contacts, keep track of opportunities and manage their territories and accounts.

Account manager

Whereas sales representatives may be organized to serve geographic territories, or to sell specific product categories, account managers are committed to serving nominated customers or groups of customers. Account managers occupy boundary-spanning roles. That is, they have a foot in two camps: that of their employer and that of their customer. The account manager must ensure that the employer understands the requirements of the customer, and that the customer understands what the account manager's company can do for them. Account managers are usually responsible for developing, maintaining and improving the profitability of relationships with clients. They may operate alone or enjoy the support of an account team, offering specialist help to the customer and account manager. Leads are generally fed to account managers. Like sales representatives, account managers make good use of sales-force automation, particularly account management, contact management, pipeline management and sales forecasting.

Marketing manager

The detailed job descriptions of marketing managers vary enormously, but one thing that they have in common is that their core goal is to manage demand. Some marketers try to decrease demand (e.g. health agency marketers for tobacco products), some try to redistribute demand (e.g. hoteliers shifting over-demand from high season to the shoulders and off season), but most try to increase demand. By increasing demand, marketers have an impact on shareholder value.[2] A number of marketing decisions are important elements of strategic CRM, as was pointed out in Chapter 12, including target market selection and value proposition development. Marketing practitioners strive to develop value propositions that targeted customers prefer over competitors. Many marketers conduct market and customer analysis, develop product, brand or category plans, generate leads and align their marketing efforts with channel partners. This exposes them to operational CRM in the form of marketing automation modules for customer and market segmentation, lead management, marketing resource management and product lifecycle management; to analytical CRM as they perform analysis on market, customer and environmental data in order to identify opportunities and threats; and to partner relationship management (PRM) applications as they engage in collaborative CRM with their channel partners.

Market analyst

Market analysts generally occupy entry level or junior positions, yet this belies the importance of their role. Although analysts have no line management responsibility for sales or profit, the ability to make sense of, or interpret, market and customer data provides a foundation for line management decisions such as target market selection, product design and communication and channel choice. Fluency with marketing analytics or web analytics is essential for market analysts, who need to be able to choose the right analytical approach for different types of data: nominal, ordinal, interval and ratio.

Campaign manager

Campaign managers are responsible for planning, implementing, evaluating and reporting on marketing campaigns targeted at prospects and customers, whether consumers or organizations, across a range of channels including direct mail, e-mail, web and text messaging. Campaign managers are generally charged with achieving KPIs such as lead generation, customer acquisition, cross-sales and customer retention. They are expected to work with a number of internal stakeholders including line managers in marketing, sales and customer development roles, IT management, data analysts and privacy officers. Managing relationships with external stakeholders, such as direct mail vendors, e-mail marketers, creative agencies and print suppliers, also falls to campaign managers. Unsurprisingly, campaign managers use operational CRM modules for campaign management, e-mail and direct mail campaign management and marketing optimization. In the absence of inhouse or external specialist analytics expertise, they might also be expected to use marketing analytics and web analytics to target and evaluate their campaigns.

Market manager

The word market is used in a number of ways. The traditional use is to describe a meeting place for buyers and sellers. The word is still used in the same way, for example, you might have a local 'Farmers' Market' where farmers sell direct to the public. The word is also used to describe customers and vendors buying and selling a particular product class, such as the car market or the wheat market. Market also refers to customer groupings, irrespective of product class, such as the DINK (double-income, no kids) market or the German market.

Market managers are generally responsible for business operations for particular geographic areas, market segments or product classes. Respective examples are market manager (Asia-Pacific), market manager (SOHO (small office, home office)) or market manager (Aircraft Tyres). Given the focus on geography, customer or product, almost any operational CRM application might be used by a market manager. The geographic market manager might use territory management, a customer market manager might use account management and a product market manager might use a product encyclopaedia application.

Customer relationship manager

Customer relationship managers are becoming more widespread; they can be found in many business-to-business (B2B) companies and in a smaller number of business-to-consumer industries, such as personal banking and wealth management. Customer relationship managers are responsible for maintaining and growing the value of specified customer relationships. They have to be skilled at identifying new opportunities to grow share-of-customer by cross-selling and up-selling. In a B2B context, they need to understand customers' businesses, processes and products and to be able to identify when their employer's products and services might be of value. At heart, customer relationship managers need to listen effectively, understand customer needs, recognize opportunities and respond appropriately. They make use of operational CRM applications, such as account management, contact management, opportunity management, order management, proposal generation, quotation management and sales forecasting.

Customer service agent

Customer service agents generally operate out of call and contact centres, working with a range of communications technologies. CSAs can perform inbound, outbound or blended communications roles. Inbound CSAs handle service matters such as account queries, complaints and service requests. Outbound CSAs work collaboratively with campaign managers and marketing teams. Depending on their role, CSAs use operational CRM systems that range across sales, marketing and service applications.

We now turn to the issue of organizational structures for CRM implementations.

Strategic goals of CRM

The expression 'strategy before structure' comes from the work of Alfred Chandler.[3] He was stressing the point that organizations should decide their strategic goals before designing the structure of the organization to achieve those goals. Companies adopting CRM as their core business strategy need to create an organizational structure that achieves three major outcomes through its marketing, selling and service functions:

- the acquisition of carefully targeted customers or market segments
- the retention and development of strategically significant customers or market segments
- the continuous development and delivery of competitively superior value propositions and experiences to the selected customers.

No organization can expect to achieve these outcomes alone. All have to work in close cooperation with suppliers, partners and other members of their business network. This means that the organizational structure has to facilitate the cooperation of several normally autonomous organizations.

These goals have to be achieved in an environment of increasing turbulence. Between the end of World War Two and the 1970s the business environment was relatively stable. Businesses could develop strategies and structures that only infrequently needed revision. Today's environment is one in which there is immense volatility: deregulation, global competition, new technologies providing additional routes to market, the emergence of new national market economies and highly demanding and well-educated customers. Structures need to be invented that allow organizations to sense and respond to change with great speed.

Conventional customer management structures

We will start by considering a standalone company as it organizes to achieve these three CRM goals. This company is presented with a number of alternative structures:

1. functional organization structure
2. geographical organization structure

3. product, brand or category organization structure
4. market or customer-based organization structure
5. matrix organization structure.

Functional structure

A functional structure has sales, marketing and service specialists reporting to a functional head such as a director or vice president of sales and marketing. The specialists might include market analyst, market researcher, campaign manager, account manager, service engineer, and sales support specialist. Small- to medium-sized businesses with narrow product ranges tend to prefer the functional organization. The three core disciplines that interface with customers, sales, marketing and service, may or may not coordinate their efforts and share their customer knowledge by depositing it in a common customer database. From a CRM perspective it would be better if they did. Elsewhere in a functionally organized business there will be other specialists whose decisions can impact on customer acquisition, retention and experience, for example, specialists in operations, human resources and accounts receivable. These experts would also benefit from having access to customer information. Very often, functional specialists feel a sense of loyalty to their discipline rather than their customers.

Geographical structure

A geographical structure organizes some or all of the three core CRM disciplines, marketing, selling and service, on territorial lines. Selling and service are more commonly geographically dispersed than marketing. International companies often organize geographically around the Americas, EMEA (Europe, Middle East and Africa) and Asia-Pacific regions. Smaller companies may organize around national, regional or local areas.

Where customers are geographically dispersed and value face-to-face contact with salespeople, there is a clear benefit in salespeople also being geographically dispersed. Where service needs to be delivered at remote locations, service may also be distributed geographically. Because selling and service costs can be very high, companies try to find ways to perform these activities more cost-effectively. Some companies sell face-to-face to their most important customers and offer a telesales service to others. Others provide service through centralized contact centres that might either be outsourced or company operated. Websites that enable customers to service their own requirements can also reduce cost. Technology companies such as EMC have found ways to reduce service costs by developing a technology-enabled remote problem-sensing and problem-solution capability (see Case 17.1).

One disadvantage of this approach, from a CRM perspective, is that there may be many different customer types in a single geographic area. A salesperson selling industrial chemicals might have to call on companies from several industries such as textiles, paint or consumer goods manufacture. The applications of the sold product may be diverse;

the buying criteria of the customers may be quite different. Some may regard the product as mission critical; others may regard it insignificant. The problem is multiplied if a salesperson sells many products to many customer groups. The salesperson develops neither customer nor product expertise.

Case 17.1

EMC delivers remote customer service

EMC sells information storage, systems, networks and services worldwide. EMC provides proactive and pre-emptive customer service. EMC systems are configured to identify problems. If an EMC system detects an error or unexpected event, no matter how small, it will automatically call home to the support centre that is available 24/7. Staff immediately research the issue by dialling back into the system. Over 90 per cent of service calls are resolved remotely, most often without the customer even being aware there has been a problem or there being any impact on the information system.

Product, brand or category structure

A product or brand organization structure is common in companies that produce a wide variety of products, especially when they have different marketing, sales or service requirements. This sort of structure is common in large consumer goods companies, such as Procter and Gamble and Unilever, and in diversified business-to-business companies. Product or brand managers are generally responsible for developing marketing strategy for their products, and then coordinating the efforts of specialists in marketing research, advertising, selling, merchandising, sales promotion and service, to ensure that the strategic objectives are achieved. Normally, brand and product managers have to compete for company resources to support their brands, through an annual planning cycle inviting the brand managers to submit and defend their marketing plans. Resources are spread thinly across many brands and the company risks becoming focused on products rather than customers. Procter and Gamble found that brand managers became isolated, competing vigorously against each other, focusing on their own goals rather than those of the corporation. Brands competed against each other, creating cannibalization.[4]

Many multibrand companies have found that brand management is an expensive way to market their offerings. In a worst-case scenario, different brand managers might be calling on the same customer on the same day. This certainly gives the impression of a lack of coordination and a disregard for the value of the customer's time. The customer may also experience varying levels of service from the different brand or product managers. Some companies have tried to coordinate their product marketing efforts by appointing product group managers to an oversight role.

More recently, some leading companies have moved to a category management structure. Procter and Gamble did this in the 1980s in response to the problems outlined earlier. Kraft markets a number of different brands, including Louis Rich cold meat cuts and Oscar Mayer hot dogs. The company has now appointed category business directors who coordinate a team of functional experts focused on each major category (Figure 17.1). Brand managers sit on the category team. The category team works with a customer team that is dedicated to each major customer to ensure that the category offer generates profit for both Kraft and the customer. The customer team works closely with customers to help them learn how to benefit more from intelligent product assortment, shelf position and promotion decisions. They also help retailers to understand better and exploit their own customer data. Also dedicated to each category is a process team that is responsible for ensuring that business processes are aligned with customer requirements. Typically, the process team addresses issues of quality management and logistics. This sort of structure attempts to integrate product, functional and customer considerations.

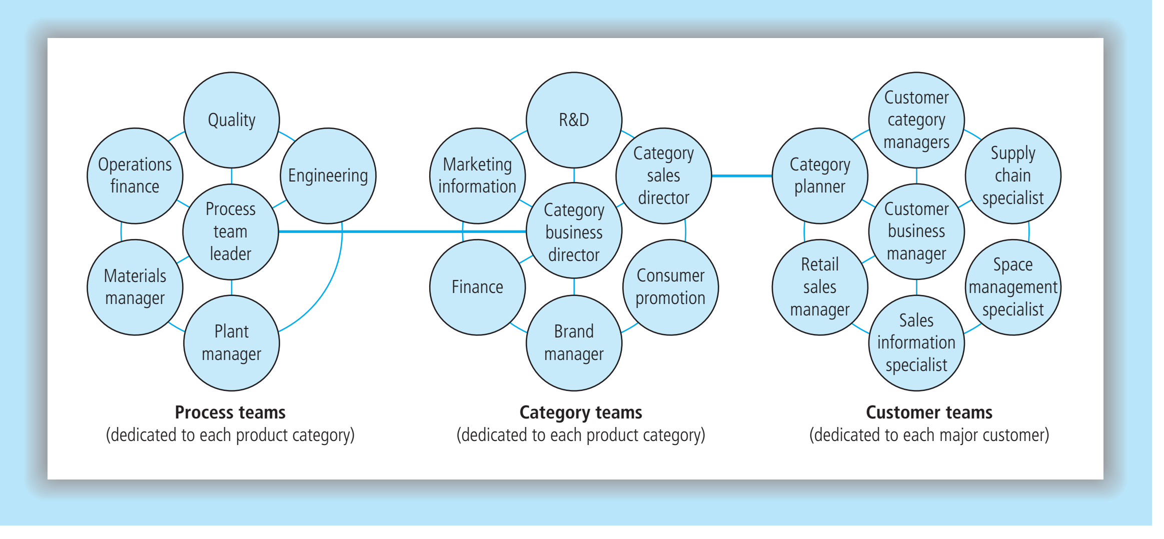

Figure 17.1 Category management at Kraft[5]

Market or customer structure

Market or customer-based organization structures are common when companies serve different customers or customer groups that are felt to have different requirements or buying practices. Dell, for example, sells to SOHO (small office, home office), medium-sized businesses, large businesses and government/institutional markets. IBM has refocused its selling efforts on 14 different customer groups. Royal Bank of Canada has rebuilt its organization to focus on customers, not product lines. Market- or customer-based managers come in many forms: market managers, segment managers, account managers and customer business managers, for example. The roles are responsible for becoming expert on market and customer requirements and for ensuring that the organization creates and delivers the right value proposition for the customer. Recently, there has been a trend towards national, key or global account management that we look at in more detail later in the chapter.

Matrix structure

A matrix organization is often the preferred structural solution when a company has several different product lines serving several different customer groups. A matrix typically has market- or customer-based managers on one side and product managers on the other side of the matrix, as in Figure 17.2. In the high-tech industries, another common matrix structure is geography against industry. The sales team includes a salesperson and a pre-sales consultant. Salespeople are organized into geographic territories, but pre-sales consultants are organized by industry. This allows customers to have not only a geographically convenient point of face-to-face contact, but also an industry specialist on whose expertise they can draw.

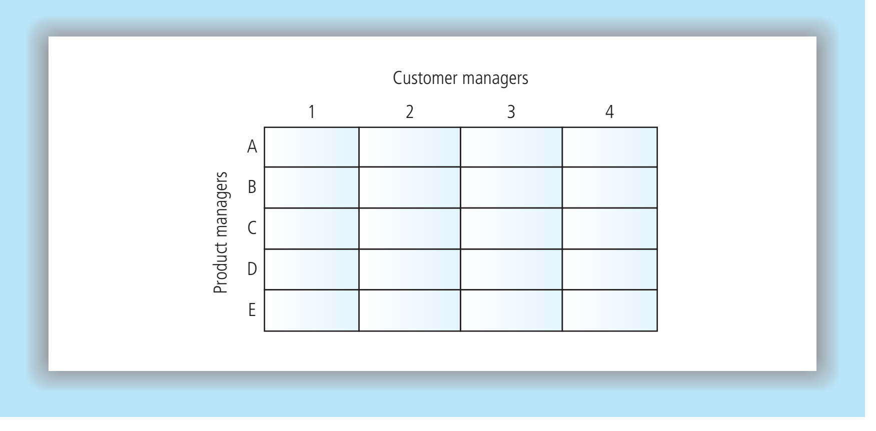

Figure 17.2 A matrix organization

A variation that is commonly found in multichannel organizations is the replacement of customer managers with channel managers. Multichannel retailers can have several routes to market: stores, catalogues, online retailing, perhaps even a television shopping channel. Financial services institutions also have many channels: branch networks, call centres, agency outlets and corporate websites. Matrix organizations have been popular since the 1970s, when they were felt to facilitate both horizontal and vertical communication, therefore improving coordination and reducing inefficiencies.

Market or customer managers in matrices are responsible for developing and maintaining profitable relationships with external customers. Generally, they view product managers in the matrix as suppliers. Sometimes the internal product manager will compete against external suppliers to become the market manager's preferred supplier. Then, market managers will form internal customer–supplier relationships, negotiate prices and agree service levels just as they would with outside suppliers. Pricing internal transfers can be a tricky decision. One of two approaches is taken: either the internal supplier sells at external market prices (as if they were marketing to an external customer, and aiming to make a profit), or they sell at an internally agreed transfer price that enables market managers to return a profit on their external transactions and relationships. This price then allows the market manager more flexibility in negotiating price with the external customer.

As an alternative to, or in some cases a prelude to, the development of a matrix organization, many companies have opted for the use of cross-functional teams. A cross-functional team is usually established when a project has implications that span normal functional, product or market lines. A cross-functional team, as we saw in Chapter 3, is often used to consider the implications of the adoption of CRM. It will consist of experts from marketing, sales, service, technology, finance and general management.

Network and virtual organizations

Business networks compete, not just standalone companies. Virgin Atlantic's network competes with the networks of American Airlines and British Airways. Indeed, some members of Virgin Atlantic's network may also be part of British Airways' and American Airlines' networks.

In this networked world, it is no longer a simple matter to know where an organization's boundary lies. This brings us to the role of IT in organizational design. The role of IT in a stable corporate environment is to allow senior management to control information and decision making.[6] As environments become more turbulent and as companies attempt to forge network relationships, the role of IT has changed. Its role is now to provide information that enables the company and its network members to:

- sense and respond rapidly to changes in the business environment
- collaborate to develop and deliver better customer value propositions
- enhance and share their learning about customers
- improve their individual and joint cost profiles.

The B-2 stealth bomber, for example, was the product of network collaboration. IT was a substitute for a more formalized and centralized organization structure linking the four contributing organizations. It has been suggested that IT functioned as a proxy for organizational structure in two ways:

> 'First, the information systems aided coordination directly by making information-processing less costly. Secondly, this enhanced information-processing made the governance of the project more efficient'.[7]

IT therefore has a number of influences on organizational design. It allows information to be shared not only right across an organization – vertically, horizontally and laterally – but also outside an organization with network members. Structure therefore no longer has to be tied to traditional vertical reporting relationships. IT also enables organizations to adapt the decentralized and networked structures that are necessary if they are to respond successfully to both environmental turbulence and customer expectations.

Customers do not want to learn how the organizations they patronize are structured. They do not want to have queries rerouted from one silo or specialist to another in search of a solution. Customers who hear the words: 'That's not my department. I'll put you through to the right person', or find themselves looping through IVR menus in search of a solution are likely to be dissatisfied customers. Customers want their needs, demands and expectations to be met. Companies therefore need to create an organization structure that enables their products, services and information to be ubiquitously and immediately available in the channels that customers patronize. Traditional structures, particularly those that are functional, geographical or product-based, struggle to meet these standards.

Structures that are IT-enabled are more likely to meet customer requirements. For example, a web-based banking service is open every day and hour of the year. A typical branch-based service is open less than one-third of the time. If the branch network were to replicate the scale of the web-based service, it would require three times the staffing levels with a concomitant increase in management structure. Even then, this could not match the convenience of a home-accessed banking service, or its price. Datamonitor, for example, suggests that a branch-based transaction costs a bank 120 times the cost of an Internet transaction.[8] Some or all of these transaction cost savings can be passed on to customers as improved prices.

At its most advanced, the IT-enabled organization is able to take any sales or service query from any customer through any channel and resolve it immediately. Among the preferred characteristics of such a design are:

- a customer interface that is consistent across channels and easy to use whatever the technology or device
- a first point of contact that takes responsibility for resolving the query
- a back-end architecture that enables the contact point to obtain relevant customer and product information immediately.

These IT-enabled structures eliminate the need for conventional silo-based geography-, function- and product-based arrangements.

Person-to-person contacts

Interpersonal contacts between people from the seller and buyer dyad are important, whether they are conducted face-to-face or mediated by technology such as phone, fax and e-mail. On the seller's side these contacts are important for identifying customer needs, requirements and preferences, for understanding and managing customer expectations, for solving problems and showing commitment. Over the life of a relationship, such personal contacts contribute to the reduction of uncertainty and the creation of close social bonds. Interpersonal communication also underpins the development of product and process adaptations that serve as investments in the relationship. These act as structural bonds.

Relationships between individuals on buyer and seller sides tend to be hierarchically matched.[9] Sales representatives meet with buyers, general managers meet with general managers. Researchers have also identified three main patterns of interorganizational contact.[10]

1. **Controlled contact pattern**: where all contacts are physically channelled through a single point of contact, typically a salesperson on the seller's side or a buyer on the customer side. This individual manages all the contacts on the other side of the dyad. There are two forms of this pattern:
   – seller-controlled
   – buyer-controlled.
2. **Coordinated contact pattern**: many different departments or individuals have direct personal contacts with departments or individuals on the other side, but there is one department or person, usually a buyer or sales representative, who is involved in and coordinates all these contacts. There are three forms of this pattern:
   – seller coordinated pattern
   – buyer coordinated pattern
   – seller and buyer coordinated pattern.
3. **Stratified contact pattern**: where individuals and departments on both sides of the dyad manage their own contacts with their equivalents on the other side of the dyad.

These established patterns are breaking down under the influence of new technologies. Now it is possible to have many-to-many communications between contacts on the buyer's and seller's sides, enabled by web technologies. The coordination of these contacts is one of the features of CRM application software. Modern communication technologies, such as e-mail and the web, require the use of multichannel consolidation infrastructures if all types of communication are to be consolidated into a single record of interorganizational contact.

Key account management

Many B2B companies have adopted a market-based customer management structure, variously called key account management, national account management, regional account management or global account management. We use the term key account management (KAM) to cover all four forms. KAM is a structure that facilitates the implementation of CRM at the level of the business unit.

A key account is an account that is strategically significant. This normally means that it presently or potentially contributes significantly to the achievement of company objectives, such as profitability. It may also be a high volume account, a benchmark customer, an inspiration, or a door opener, as described in Chapter 5.

Companies choose one of two ways to implement KAM. Either a single dedicated person is responsible for managing the relationship, or a team is assigned as in the Kraft example mentioned earlier. The team membership might be fully dedicated to a single key account or may work on several accounts. Generally, this is under the leadership of a dedicated account director. The motivation to adopt a KAM structure comes from recognition of a number of business conditions:

1. **Concentration of buying power** lies in fewer hands. Big companies are becoming bigger. They control a higher share of corporate purchasing. Smaller companies are cooperating to create purchasing power and leverage purchasing economies. Even major competitors are collaborating to secure better inputs. For example, Procter and Gamble and Unilever, rivals on the supermarket shelf, are cooperating to buy raw materials and input goods such as chemicals and packaging.
2. **Globalization**: as companies become global they want to deal with global suppliers, if only for mission critical purchases. Global companies expect to procure centrally, but require goods and services to be provided locally.
3. **Vendor reduction programmes**: customers are reducing the number of companies they buy from, as they learn to enjoy the benefits of improved relationships with fewer vendors.
4. **More demanding customers**: customers are demanding that suppliers become leaner. This means they eliminate non-value adding activities. The corollary is that they want suppliers to supply exactly what they want. This may mean more reliable, more responsive customer services and just-in-time delivery.

A supplier may decide that it wants to introduce a KAM system, but it is generally the customer who decides whether to permit this sort of relationship to develop. If customers feel that their needs are better met outside of a KAM-based relationship, they are unlikely to participate in a KAM programme.

According to one study, suppliers are finding considerable benefits in the adoption of KAM.[11]

- doing large amounts of business with a few customers offers considerable opportunities to improve efficiency and effectiveness
- selling at a relationship level can spawn disproportionately high and beneficial volume, turnover and profit
- repeat business can be considerably cheaper to win than new business
- long-term relationships enable the use of facilitating technologies, such as EDI and shared databases
- familiarity and trust reduce the need for checking and make it easier to do business.

Although the research suggests major benefits for sellers, the companies that succeed at KAM are those that perform better at a whole range of management activities, including selecting strategic customers, growing key accounts and locking out the competition.

'Companies that are most effective at developing strategic customer relationships spend more time and effort thinking about their customers' profiles, direction and future needs than the least effective … (T)hey spend relatively less time and effort considering how their strategic customers will benefit themselves as suppliers'.[12]

Concentration of buying power has lead to buyers taking charge of relationships. Many companies have supplier accreditation and certification processes in place. To be shortlisted as a potential supplier, vendors often have to invest in satisfying these criteria. Buyers increasingly have documented processes that compel vendors to deal with specific members of a decision-making unit at specific times in the buying process. Under these circumstances, sellers may not have the chance to exhibit their exceptional selling capabilities. What they must do, however, is demonstrate their relationship management capabilities.

KAM differs from regular business-to-business account management in a number of important ways. First, the focus is not on margins earned on each individual transaction; rather the emphasis is on building a mutually valuable long-term relationship. The effect of this is that a more trusting, cooperative, non-adversarial relationship develops. Secondly, key account plans are more strategic. They look forward five or more years. Non-key accounts are subjected to more tactical campaigning designed to lift sales in the short term. Thirdly, the KAM (team) is in continuous contact, very often across several functions and at multiple levels of hierarchy. Special access is often provided to customer senior management. Contact with non-key accounts tends to be less frequent and less layered. Fourthly, suppliers make investments in key accounts that serve as structural bonds. Indeed, even the allocation of a dedicated key account manager or team represents an investment in the customer. Additionally, suppliers are much more likely to adapt elements of their value proposition such as products, inventory levels, price, service levels and processes for key accounts. Some additional elements might be added to the value proposition for key accounts. This might include vendor-managed inventory, joint production planning, staff training and assistance with the customer's product development and marketing strategies.

KAM can be thought of as a form of investment management, where the manager makes decisions about which accounts merit most investment, and what forms that investment should take.

Researchers have made efforts to understand how KAM develops over time.[13] Figure 17.3 shows KAM developing through several stages as suppliers and customers become more closely aligned. As the relationship becomes more collaborative, and as the level of involvement between the two parties grows, the commitment to more advanced forms of KAM grows.

In the pre-KAM stage, a prospective key account – one that shows signs of being strategically significant – has been identified. Because the prospect is supplied by other vendors, the major task is to motivate a

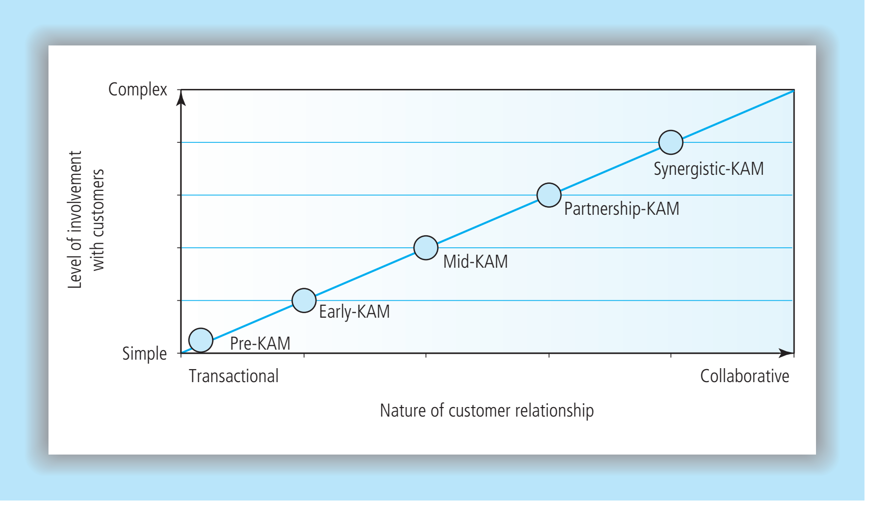

Figure 17.3
A model of KAM development

modified re-buy, most likely by identifying ways in which the new solution meets customer requirements better. In the early KAM stage, the new supplier has won a small share of customer spend, and is on trial. The early KAM structure often takes the form of a bow-tie (Figure 17.4), in which the only contact is between single representatives of each company, typically account manager and buyer. These contacts act as gatekeepers, liaising with their own colleagues as needed.

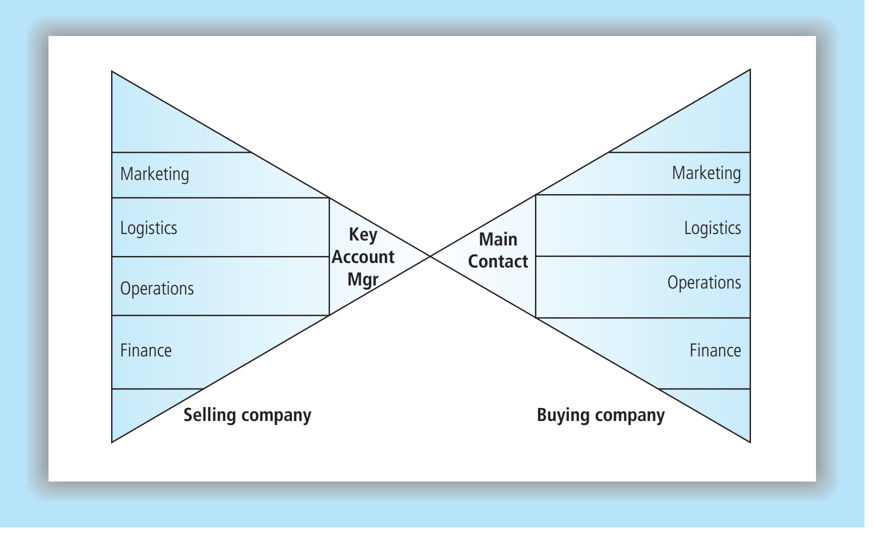

Figure 17.4
Bow-tie structure for early KAM

The bow-tie is a very fragile arrangement. If either party doesn't get on well with the other, the relationship might not evolve. If either moves on or retires, the relationship may be severed. The ability of the supplier company to understand the customer depends on the skills of one person alone. If that person doesn't record what is known in a customer database, it might be lost forever. Customers will sometimes refuse vendors access to other contacts. This is often designed to demonstrate power.

As it becomes clearer that the relationship is paying off for both parties, it may migrate to mid-KAM status. The customer has come to trust the supplier, and the supplier has shown commitment to the customer. The supplier is now a preferred, though not sole supplier. There are other, more senior, contacts between the organizations. As the relationship heads towards partnership KAM status, the relationship becomes more established. The customer views the supplier as a strategic resource. Information is shared to enable the parties to resolve problems jointly. Customers might invite suppliers to go 'open book' so that cost structures are transparent. Pricing is stable and determined by the tenure and value of the relationship. Innovations are offered to key accounts first before being introduced to other customers. There is functional alignment, as specialists talk to their counterparts on the other side. There is much more contact between the companies at every level. The job of the key account manager is to coordinate all these contacts to ensure that the account objectives are achieved. This sort of relationship is often represented as a diamond (Figure 17.5).

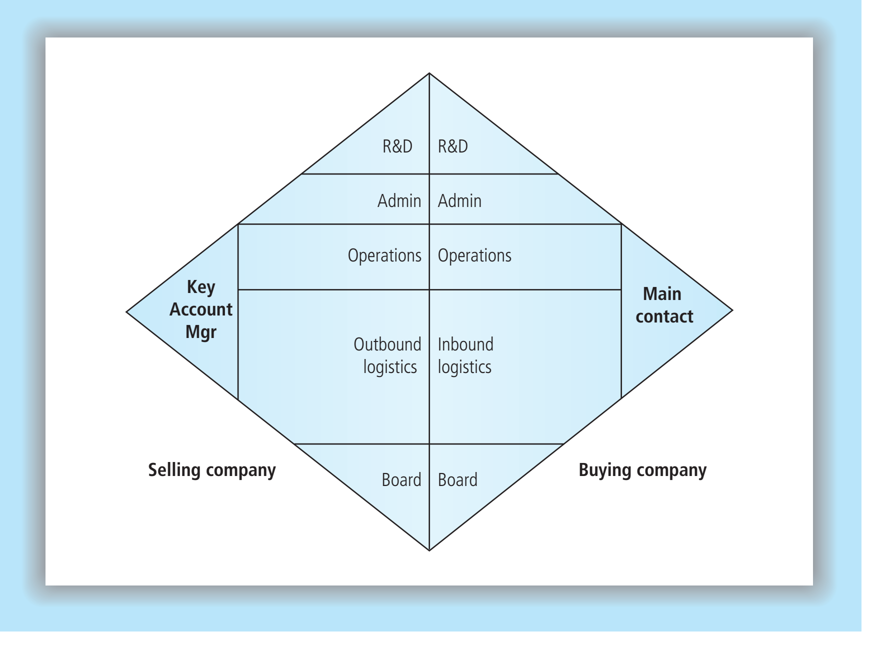

Figure 17.5 Diamond structure for partnership KAM

The most advanced form of KAM, identified as synergistic KAM, occurs when a symbiotic relationship has developed. As Figure 17.6 suggests, the boundaries between the two organizations are blurred as both sides share resources and people to work on mutually valued projects. These might be cost reduction projects, new product development projects, quality assurance projects or other ventures beyond the scope of their present relationship.

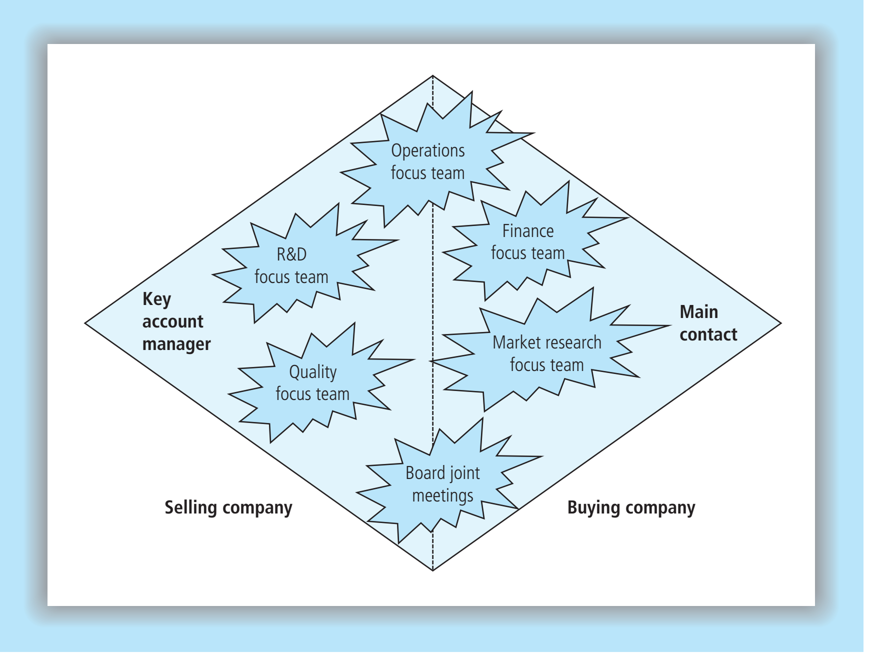

Figure 17.6 Virtual organization for synergistic KAM

This developmental model does not suggest that all KAM arrangements migrate along the pathway towards synergistic KAM. KAM will only advance as far as the parties want. If either party finds they are not benefiting from the arrangement, it can be reversed and become more transactional. Key account status might be withdrawn if the customer ceases being strategically significant, purchases from a major competitor of the supplier, becomes financially unstable, displays unethical behaviours or demands too many concessions, making the relationship unprofitable.

There are also situations that can lead to relationship dissolution. This might happen if the customer finds that the supplier has acted opportunistically, thereby breaking trust. Opportunistic behaviours might include ramping up price, betraying confidences to third parties, supplying the customer's major competitors or artificially restricting supply. Suppliers can also 'sack' customers, for example, when it is clear that there is no prospect of making a profit from the relationship even if it were to be re-engineered to reduce cost.

Progress along the KAM pathway may also be limited by either party's relationships with other companies. It may be impossible for a vending machine company to develop a strong relationship with PepsiCo, if it already has a strong relationship with Coca Cola.

Team selling

Team selling is a form of selling that is often associated with the more advanced forms of KAM. A key account team is assembled that consists of a number of specialists that can sense and respond to customer concerns over a variety of issues. The team might, for example, include people from engineering, logistics, research and development and sales. Collaborative team selling may even cross organizational boundaries. Representatives from two or more partnering organizations can come together to pitch for new business or service an established customer. Partner relationship management systems facilitate such arrangements by making customer, project and product information available to all partners.

These teams may be thought of as a multiperson selling centre, in much the same way that the customer has a multiperson buying centre or decision-making unit. The selling centre might have a fixed composition throughout the relationship with the customer, though the make-up is more likely to vary. For example, at the beginning of the relationship a 'hunter' might initially win the account. Later a 'farmer' takes over and builds the team to maintain and manage the relationship for mutual benefit.

Major decisions for team selling concern the composition of the team, coordination of team efforts and measurement of team performance. Coordination can be achieved through conformance to a cultural norm (for example, a focus on customer satisfaction, or mutual benefit), formal rules and plans, deference to hierarchical direction, improved communication facilitated by committee meetings or IT. Intranets can be especially useful in this respect.

Summary

This chapter has examined a number of organizational issues, as they relate to the implementation of CRM.

We found that different forms of CRM – strategic, operational, analytical and collaborative – touch on a number of roles with varying degrees of significance: sales representative, account manager, marketing manager, market analyst, campaign manager, market manager, customer relationship manager, customer service agent and key account manager.

Agreeing the CRM strategy is a necessary prelude to deciding on structure. There are a number of conventional organizational models for the customer-facing parts of a business: sales, marketing and service. They can be organized around functions, geography, products, markets or they can take a matrix form. As organizational boundaries become blurred, CRM strategies can be seen as being delivered by networks and virtual organizations, where IT serves as a proxy for structure. Sharing information across the network acts in the same way as organizational structure to facilitate the achievement of objectives.

One important market-based approach to organizational structure is key account management. Key accounts are strategically significant customers which the selling company is prepared to invest in. Key account management can be thought of as comprising a number of forms of structures. Early key account management often is thought of as a bow-tie structure; later stages of development can be characterized as a diamond shape. The ultimate form of key account management happens when corporate boundaries dissolve and the buyer and seller work together on projects of mutual interest. Team selling may be an important part of key account management.

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