

# KEY ACCOUNT MANAGEMENT AND THE METHOD OF *PRINCIPLED* NEGOTIATION

## Negotiating and selling

Selling is becoming more and more demanding. Nowadays, sales people indeed face the following challenges: the increasing complexity of the products; higher customers' expectations with respect to service quality; the demand-side orientation of the market and the resulting shift of power between suppliers and buyers.

Those who succeed in: (a) establishing with strategically important customers relationships which are characterized by trust and partnership, (b) developing together with them creative approaches which exactly meet their short- and longer-term – although possibly not yet perceived – needs, and (c) finally agreeing on fair conditions acceptable to both sides, have the best prospects of winning the contest of sales. On the other hand, those who set out to haggle stubbornly over quantities, discounts or delivery dates shouldn't be surprised if they find out tomorrow that they lost key customers to competitors.

It would certainly be foolish to want to "sew up" a (potential) customer, since a win-lose strategy of this kind would at best result in a one-off transaction, and would surely be damaging to one's own reputation. Unfortunately, the strategy of making concessions on both sides (lose-lose strategy) leads in turn all too often to "hollow" compromises which are unable to give real satisfaction to either side.

Obviously you want to win, not lose – but for the benefit of the customer and not at his expense. This way ensures that the customer continues to be your customer. The superiority of the win-win strategy is obvious: you gain more because both sides win.

## Key Account Management

Key Account Management (KAM) addresses the fact that most companies make 80% of their profit with generally less than 20% of their customers. As far as the acquisition of new clients is concerned, the relation between investment and return is even more extreme.

KAM is thus a strategy consisting in concentrating a lot of efforts on clients that have been carefully selected according to their innovation and growth potential, thereby:

- strengthening one's own competitiveness: increasing existing sales and developing new business with current or potential new Key Accounts;
- increasing the value of cooperation: building up more profitable business relationships; moving from the role of a mere supplier to the one of a true partner exerting a decisive influence on the innovation capability and the growth of Key Accounts;
- promote the talents of one's own employees: motivating them to take up more demanding tasks and helping them to become aware of their own potential to influence actions and results both internally and in the market place.

The implementation of such a Key Account Management strategy requires:

- a very restricted selection of true Key Accounts (not more than one or two per sales person, at least at the beginning, primarily in order to avoid internal bottlenecks);
- a concerted effort to get a deep knowledge and understanding of those few Key Accounts: the decisions makers, their business goals and strategy, their market, etc.;
- clear ideas and internally agreed objectives to develop with each Key Account a mutually beneficial future;
- precise and practical action plans designed to build up a partnership that Key Accounts truly value because it makes them more competitive on their own market;
- the unrestricted willingness to gain new insights and learn new skills, i.e. to progress by working together with Key Accounts.

### Principled negotiation and KAM

The *principled* negotiation strategy that has been developed in the framework of the „Harvard Negotiation Project“ and is still being refined in cooperation with practitioners such as Egger, Philips + Partner AG, can be viewed as one of the pillars of Key Account Management. This approach helps to fundamentally improve the quality of a business relationship and increase the resulting mutual benefits. It enables the parties involved:

- to identify their real interests and to act consequently;
- to identify and resolve people-related issues that may jeopardize a fruitful business collaboration;
- to understand the point of view of the other side;
- to make the best possible use of the resources and skills available on both sides, thereby „expanding the pie“;
- to resolve conflicting interests by using some fair standards and decision criteria that are independent of the will of either side, thereby „dividing the (in the meantime expanded) pie“ in a way that is acceptable for both sides;
- to decide rationally whether or not to pursue a business relationship, when the circumstances that justified it so far change significantly.

Therefore, the ability to implement a Key Account Management strategy and to negotiate according to the principles developed in the framework of the „Harvard Negotiation Project“ represents a highly significant competitive advantage.

This document was written in cooperation with Lips Max Contracting. It also incorporates thoughts from Egger, Philips + Partner ([www.eggerphilips.ch](http://www.eggerphilips.ch)) concerning selling and negotiating.