

Profitable Account Management in Developing Markets

John Sergeant Associates Tel; (02) 9972 9900 Email; john@jsasolutions.com
Website; www.jsasolutions.com

1. JSA KAM Background

Early U.K. Background

John Sergeant began consulting in the U.K. in the late 1970s, including involvement in the launch of the first computerized *space management system*. That market was characterised by multiple large retail chains, premium housebranding, creative development of retail technologies and services to consumers, and a tendency to tell suppliers to “leave it to us” at store level.

Australia: High Trade Concentration

We began working in the Australian retail market in the 80's, helping suppliers to defend themselves against the brutal use of buying power by the four major retailers. Trade concentration led to retailers being *competitor focused* rather than *consumer focused*. The consumer service offering is bland, retailer net margins are low (1 to 2.5%) and suppliers' role is to fund retailer overheads and profit. Interestingly 3 of the 4 Australian retailers are domestic companies. Aldi prospers but, the only other foreign “intruder”, Dairy Farm, failed at Franklins. But, we expect further foreign entries once their interests in emerging Asia Markets become self sufficient.

Hong Kong: Our gateway to Asia

Our multinational clients began to involve us in the regional expansion from the late '80s. In the early 90's we worked extensively in **Hong Kong** where the two major chain retailers were demonstrating all of the worst characteristics of their international colleagues: strong pressure for annual increases in trading terms, inefficient assortment (in spite of space constraints) and unproductive, high cost promotions. We worked with several clients to develop their account management processes and build account manager confidence. The precedents of Hong Kong are an important learning experience for other developing markets.

New Zealand: A source of ideas

New Zealand is a small market but fascinating for two reasons. First, the *independent retail sector* has remained strong in the face of the chains, holding its market share and producing some of the most dominant store formats.

Second, NZ has been far more *innovative* than Australia in uses of scandata, and supplier/retailer partnering. It is a delight to work in a market where ideas are translated into action.

“Modern Trade” expansion in Asia today

The intrusion of the American, British, Dutch and French retail giants, hustling for market share and rapidly increasing suppliers' costs of doing business, is a current area of high interest for JSA.

We are working with several clients to introduce consistent regional account management practices and with others on specific national programs, including foundation training for young, inexperienced account management teams.

2. “Modern Trade” Development Priorities

The imperative facing our clients is to concentrate twenty years of international experience and trends into a 1-2 year learning and development cycle: retailer understanding, strategies, processes and skills. Naturally, they have their own international resources to draw upon, but we find that US or European models don't quite fit the markets like Asia in their present stage of development. We work with clients to develop concise, practical approaches to account development, making little distinction between consulting and training.

2.1 An early priority: Understanding the Retailer

We work with clients to rapidly build customer knowledge.

- **Account Profiles:** Building a concise fact base of account structure, strategies, systems, decision processes, policies and practices, financial mechanisms.
- **Customer Business and Service Needs Research:** Aligned to profiling, it is useful to interview trade decision makers on their business challenges, business development priorities, current initiatives, criteria for supplier choice (service needs), expectations from account managers, etc.

Both of the above start as projects with nominated accounts and are one input to early team training.

- **Joint Projects with Retailers:** How often do we hear *“They won't give us scandata”* or *“there are more and more restrictions on what we can do at store level”*. Partnering doesn't come naturally to retailers, so it's often useful to set up some joint category development projects which act as a “back door” to information and understanding.

2.2 Account Management Process Design

The demands of retailers to “*do it our way*” have heavily influenced account management processes in markets like Australia. Category teams with heavy analytical support churn out information for retailers which retailers themselves admit they can’t process. You might ultimately need these “information factories” too but, in the meantime, you have the opportunity to “*do it your way*”.

- **Account Profiling:** (See above)
- **Account Development Planning:**
 - how to use data (shipments, scan data, P&L’s, promotional effectiveness measurement)
 - how to assess opportunities: aligning retailer needs (checklist of 60) with business development opportunities (checklist of 130)
 - constructing account plans
- **Promotional Planning and Control:**
 - building a promotional effectiveness database
 - investment standards: e.g., profit on incremental sales to cover the cost of the promotion.
 - optimum promotion schedules
 - formats for presenting programs
- **Joint category development:**
 - category and business reviews with a strong future dimension.

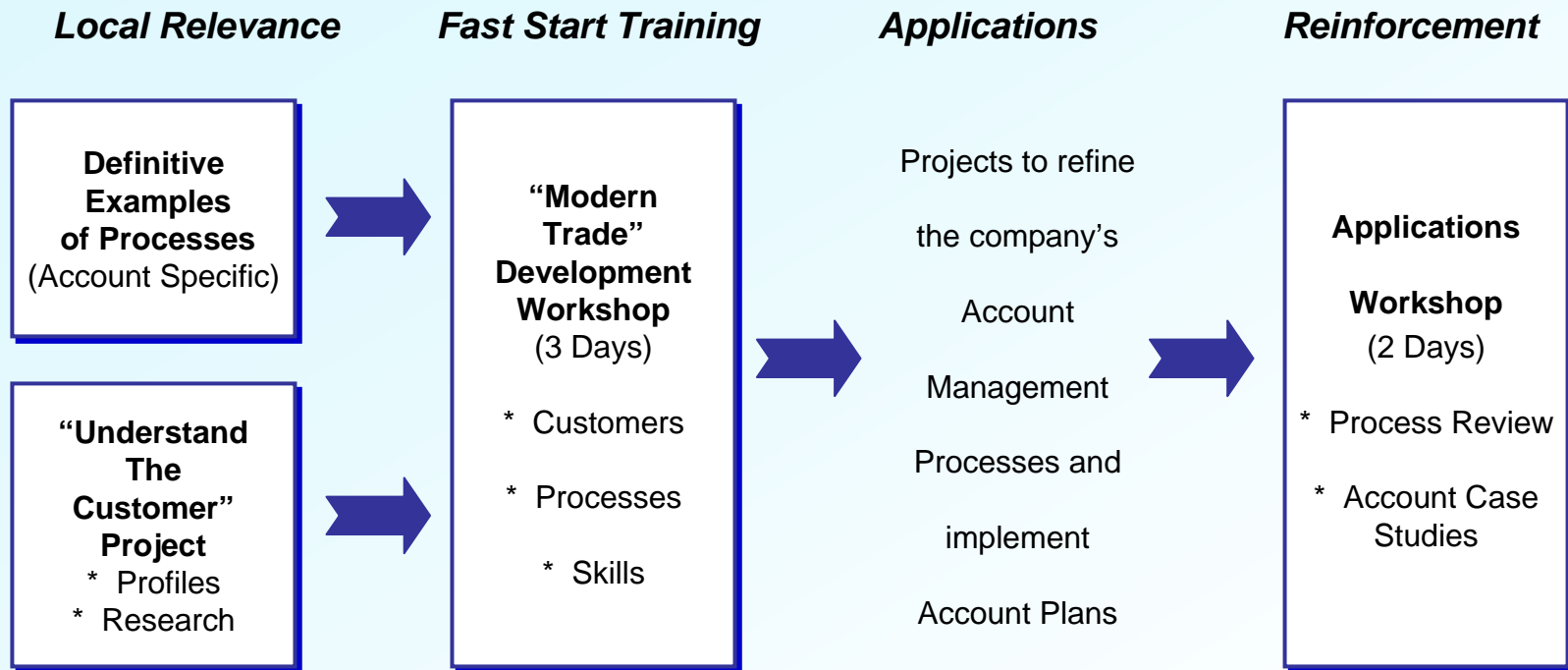
- **Trading Terms:**
 - how to handle demands for increases
 - simplifying the whole “partnership agreement”
- **Presentation formats**
- **Negotiation Guidelines:**
 - tactical models
 - analysis of negotiable variables
- **Field Execution:**
 - how to enhance promotions at the sell in phase
 - how to manage compliance
 - how to measure and action the whole range of core business “sales drivers” (range, stock weight, out of stocks, planogram, off location displays, POS usage, etc)

2.3 Account Management Team Development

We prefer a simpler, but more accelerated process for consumer goods account teams in developing markets.

Our assumptions are that team members are usually young, intelligent and inexperienced. They learn fast, but need help to see how the “big picture” fits together and how to **apply** their skills. They also need to be involved in creating their own account management process as part of the learning experience.

3. Model of a Training Process



Outcomes:

- **Greater customer understanding**
- **Practical account management processes**
- **Plans that can be implemented**
- **Improved productivity of promotional investment**
- **Confident, skilled account managers**

3.1 A Locally Relevant Foundation

The preamble to any workshop activity is twofold:

- **Definitive Examples:** Select one account and produce illustrative examples of, for example:
 - The Account Profile
 - Promotional Effectiveness Analysis
 - First draft Account Plan

This illustrates the approach in locally relevant terms.

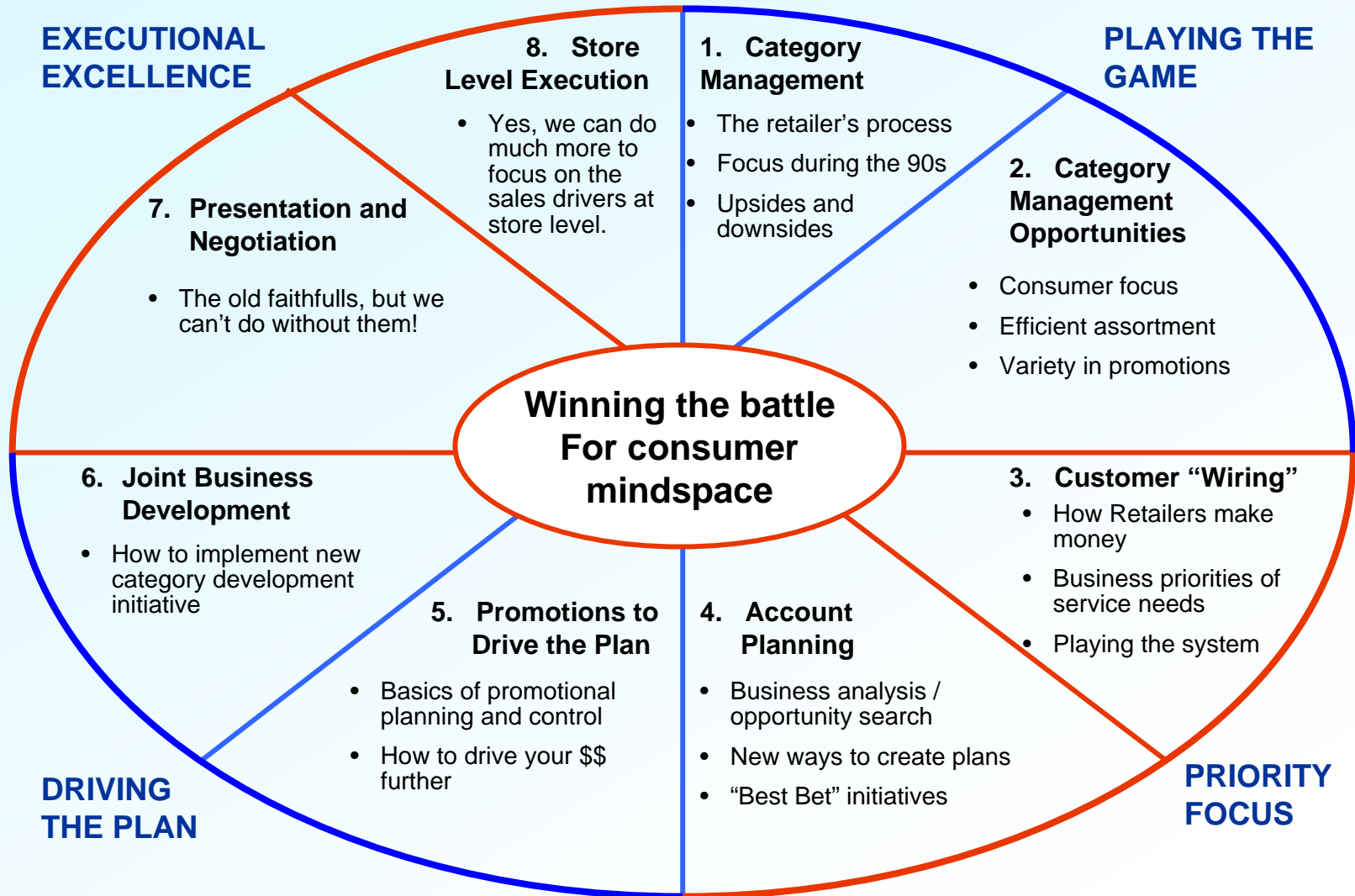
- **Understand the Customer Project:** Armed with the illustrative Account Profile (above) ask each team member to prepare one profile. Further, give them a structured questionnaire to interview one or more decision makers in the account.

Ideally, outputs of this exercise can be consolidated before the team workshop.

3.2 Workshop # 1. Modern Trade Development (3 Days)

A potential workshop Outline is shown below. There will be considerable syndicate work in areas like: reviewing profiles / research results; developing account plans; promotional evaluation; negotiation skills practice.

Modern Trade Development Workshop Content



From Learning to Implementation

3.3 Post Workshop Applications

We recommend a 3-4 month phase to implement immediate ideas and management processes. For example:

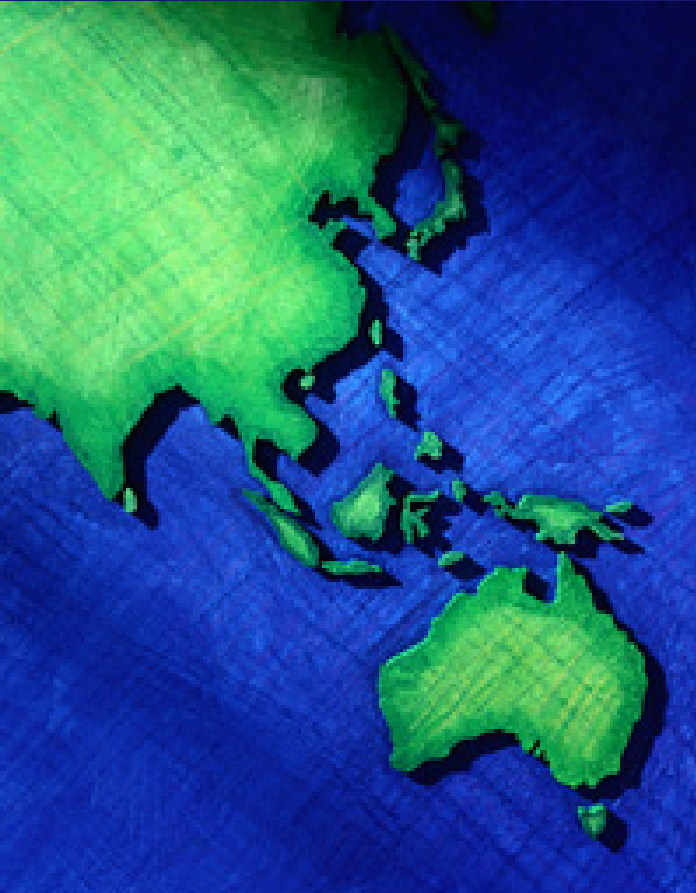
- Individuals will complete and implement their account plans
- Project Teams will adapt workshop outputs to develop consistent company processes

3.4 Applications Workshop (2 Days)

We work with the full team again about 4-5 months after the “Fast Start” workshop to:

- Review implementation issues in specific accounts
- Review processes and how to use them
- Agree next steps in selected account development

4. How JSA works with Regional Clients



- Servicing clients from our bases in Australia (presently looking for local market affiliates)
- Four consultants with in-depth experience of eleven regional markets, who will spend up to 2 weeks in market on any visit
- Projects are structured on an agreed fee for the task, plus travel expenses. The Australian dollar makes our prices highly competitive.
- The type of modern trade project outlined above requires only 2 or 3 consultant visits to your market.
- We frequently work with groups of key managers drawn from 4 or 5 national business units, which spreads costs and encourages experience sharing.
- We make most of our materials available on CD, with agreed copyright limitations.
- JSA's **On-Line Sales Training** becomes a valuable part of a blended learning solution

With apologies to our New Zealand clients!