

# Money Isn't Everything

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Key account managers sell their wares, cultivate top customers and maintain close internal relationships within their companies. Their job is a complex one, their successes are long-term in nature. A current study looks at how businesses can reward their 'top customer managers' appropriately.

The key account manager, or KAM, must be a happy person. He is satisfied at work. He is also satisfied with his income, valued within his company and well connected; he has well-developed social and analytical skills and is not interested in making a quick buck.

As the name already indicates, key account managers play a key role in companies. They look after the most important customers and they share responsibility for sales, profits and overall success. Their functions are many and varied: they are often required to travel a lot – including international travel –

## -> Practical tip

Qualitative targets and long term target orientation are recommended in order to control the key account manager. The smaller the company, the simpler the control system should be.

and must also be very well integrated within their company, enabling them to coordinate well; they act as a central contact for discerning, high-profile partners on the customer side and need a great deal of patience because successes in key account management are mostly achieved in the medium to long term.

*“As with most companies, the aim of Mercuri’s Global Key Account Management (GKAM) team is to create life long, profitable customers. Winning and especially keeping and expanding cross border business is achieved by multinational selling and implementation teams managed by GKAMs. As with many other companies, P&L is located in the country and BU and the challenge is to identify and measure the individual contributions of the GKAMs, without creating competition and potential conflict.”*



In general, key account managers are not driven by the desire for a higher salary, but rather by the attractiveness of the job and the status of their position.

The bigger the company, the more satisfied they are with their role in the organization, according to the latest study, entitled "Variable Payment Systems in Key Account Management". In this study, consulting company Mercuri International, the University of Bamberg and the European Foundation for Key Account Management (EFKAM) consider the payment mix, satisfaction and system support for key account managers.

*“Key account managers are not driven just by commission, which may be due to the fact that they are often recruited from the marketing sector and have different ambitions.”*

Wolfgang Bussmann, partner Mercuri International



Which is not to say that key account managers are badly paid: according to the study, the majority of them earn between Euro 70,000 and 100,000. Global or corporate account managers can earn more than Euro 200,000.

What’s more, unlike their colleagues in sales, they can be very sure of this income. A good 61 percent of those surveyed indicated that the variable part of their income was a comparatively low zero to 20 percent.

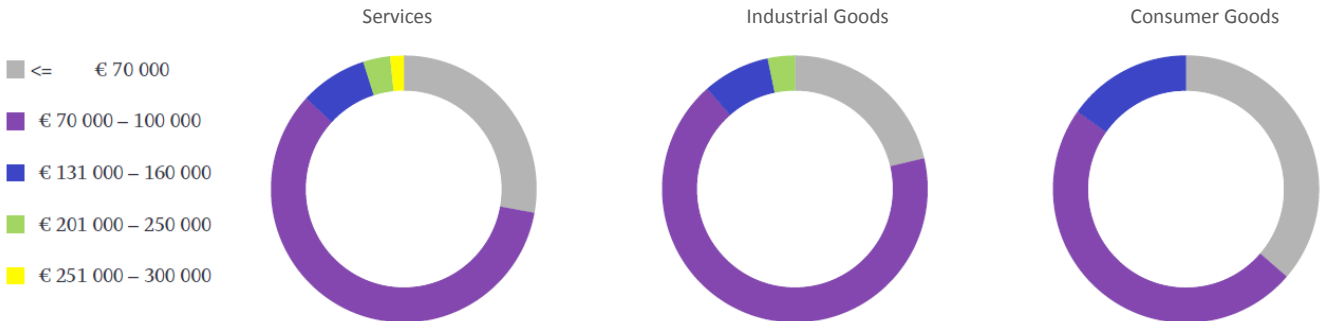
According to the study, criteria such as management style, career opportunities and prestige are more important for the satisfaction of those surveyed, than overall income or the structure and amount of variable payment. This is surprising, in view of the fact, that sales staff, are generally regarded as extremely money-driven.

When it came to the payment of the variable income, the organizers of the study came to a surprising conclusion: in around 40 percent of businesses the variable income is already paid out when targets are met by between 50 and 80 percent. A further 29 percent, approximately, pay out the money when the key account manager achieves between 81 and 90 percent of his targets. The study organizers surmise that this may indicate that companies are not sure of the appropriate target amount.

The high level of satisfaction with one’s income could be seen as an indicator that a key account manager has a different social profile from “pure” sales staff, whose main task is to sell. Wolfgang Bussmann, a partner at Mercuri, explains: “Key account managers are not driven just by commission, which may be due to the fact that they are often recruited from the marketing sector and have different ambitions. They are not interested in turning a fast buck, but are aware that they need to go that extra mile to achieve long-term success.”

The bigger the company, the lower the variable income portion. This may be because the work of the KAM is often difficult and almost impossible to measure in the short term. They are unable to influence some developments directly because here are dependent internal and external factors.

**OVERALL INCOME - EVALUATION BY SECTOR**



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“Selling is just one small aspect of the key account manager’s job,” explains Björn Ivens, Professor at the Department of Marketing of the University of Bamberg. Instead, top customer managers perform a wide range of analytical tasks. They need to understand the structure of their customers and have to adapt their own product portfolio to the needs of their customers. “Like a market researcher, they need to recognize the development of their customers and have to be able to master the strategic analysis of their customers,” explains Ivens.

The key account manager is also the customer’s “advocate” in his own company because he is the decentralized contact for his problems and questions. In order to provide a good service, he needs a hotline to various departments within the company, for example when it comes to discussing product changes with his colleagues in research and development (R&D), he has no hierarchical power, but depends on the willingness of his colleagues to cooperate, which requires a great deal of social competence.

The question arises of how businesses pay these managers appropriately. The study organizers found that they often fail to make an adequate differentiation. Those surveyed complained that medium-sized companies, in particular often made insufficient use of the systems for determining results for variable incentives, so that certain aspects were not measured at all.

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**Objectives in determining the variable salary**

With regard to the significance of selected targets when determining those surveyed formed the following is one ranking of criteria for their variable income:

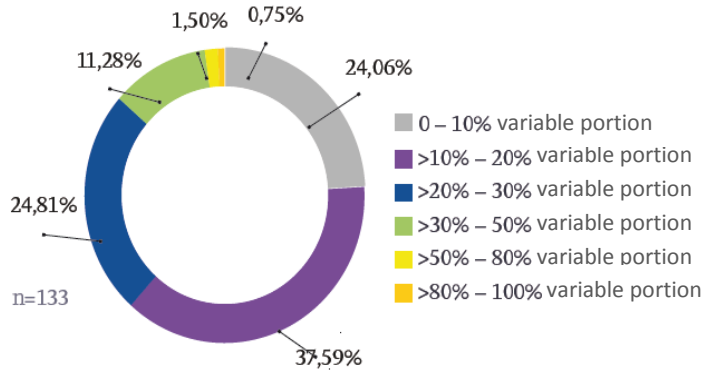
- Their customers’ turnover/ sales
- Their customers’ profit/ margins
- Market share of specific customers
- Customer satisfaction
- Customer loyalty
- Specific activities for individual customers
- Measures to increase cost efficiency
- Acquisition of new customers
- Overall success of the company
- Other

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The majority of companies measure the variable salary according to the turnover and yield achieved with the customer.

This actually contradicts the predominant philosophy. Bussmann comments: “We are always hearing terms such as “share of wallet” and the logical thing to do would be to use these qualitative aspects as a criterion for variable payments.” There is obviously a wide chasm between aims and reality in this case. The general principle is that the bigger a company, the more differentiated its measurement criteria for variable payment and the greater the importance of qualitative criteria. This includes the implementation of customer-specific activities, customer satisfaction and loyalty or cost efficiency. Experience also has a role to play: the longer a company has already practiced key account management, the better the systems work.

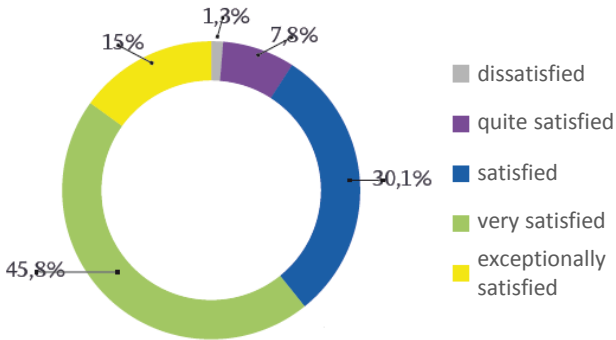
**VARIABLE PORTION OF PAY AS A PERCENTAGE**



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61.65 percent of those surveyed receive a variable portion of zero to 20 percent. Almost a quarter of those surveyed receive a variable portion of 20 to 20 percent. Closer analysis has shown that the bigger the company, the smaller the variable proportion of the overall salary.

**GENERAL SATISFACTION WITH THE ROLE OF KEY ACCOUNT MANAGER AS A PERCENTAGE**



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In medium size companies, the title of “key account manager” is often used to make a position seem more attractive. Almost half of those surveyed managed more than ten customers, indicating a “lack of a sharp distinction between account management and genuine key account management” according to the study. “Companies expect too much from the work of key account managers. These managers cannot work efficiently if they are required to deal with ten customers. In fact many companies have had to reduce the number of customers per key account manager in order to exploit their full potential,” explains Ivens. However, because these employees are very expensive, many companies are reluctant to take this step. In small and medium size companies, the job of the KAM also often runs into a cul de sac, says Ivens. “Those who are entrusted with the most important customer accounts have often already reached the end of the career ladder - if they want to achieve more, they often have to move to a larger company.”

Unfair: Although it is obvious that key account managers cannot be expected to achieve short term successes, the variable portion of their salary is often measured against short-term targets: according to studies, around 85 percent of companies use yearly targets, only 3.2 percent work with multi-annual targets, while 11 percent use a mix of both.

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## Study

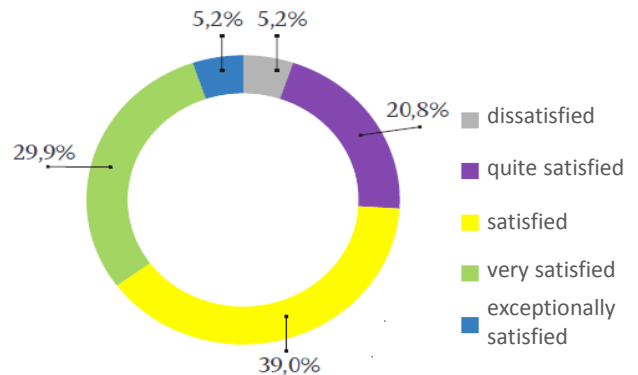
Consultancy company Mercuri International in Meerbusch, the University of Bamberg and the European Foundation for Key Account Management e.V. (EFKAM) in Bad Arolsen joined forces for the empirical survey entitled “Variable Payment Systems in Key Account Management”, and conducted an online survey among key account managers (KAMs) and senior KAMs in March and April of this year. A total of 155 valid replies were received and evaluated from the service, industrial goods and consumer goods sectors. Most of the companies surveyed come from the small and medium-size enterprise sector. The survey offers insights into existing payment forms for key account managers in German companies, expert statements and a short outline regarding the payment of key account managers in France, the UK and the Benelux countries. The 64-page study costs 150 Euros and can be requested by mail for downloading.

[www.efkam.com](http://www.efkam.com), <http://de.mercuri.net>

EFKAM founder Dr. Hans Sidow comments: “The right payment for key account managers leads to a dilemma: the conflict between the significance of the individual tasks from the perspective of business and sales management. Too often key account managers are seen as hunters and are rewarded with bonuses for their short-term order acquisitions. This is no different from a payment for sales representatives or project managers.”

Sidow argues that top customer managers should not just be seen as “hunters”, but also as “farmers” who cultivate and tend to their customers, ensuring a long-lasting business relationship. “This work cannot be measured directly in terms of turnover - particularly not in terms of short-term turnover”, this is believed by the EFKAM founder. Small and medium-size enterprises particularly need to catch up.

## SATISFACTION WITH LEVEL OF OVERALL INCOME AS A PERCENTAGE



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At 74.1 percent, the satisfied group is clearly dominant

It is not just in the interests of fairness that key account managers should be measured in terms of long-term targets, but also prudent in terms of forward-looking customer retention: excellent customer managers are a rare commodity and the much-feared shortage of specialist manpower will also be felt in this area, so that the use of long-term targets for variable payments may perhaps ensure that employees remain with their companies for longer. This would also prevent people from applying for the position who only regard the job as a useful stepping stone within their career.

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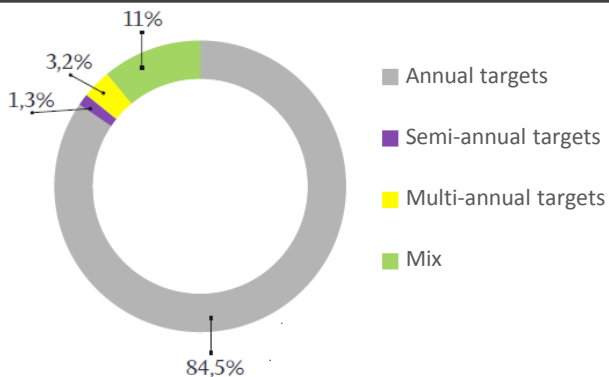


KAM experts generally recommend that the portion of variable income should not be set too high and that qualitative criteria should be applied. Companies who are only now establishing their key account management team should start with a simple control system and identify one or two targets. Ivens recommends dispensing with variable payment portions altogether in newly established KAM systems. The larger the company and the longer key account management exists, the more readily complex control systems can be used.

Status symbols and privileges also play a role here – something that can be expressed with an appropriate company car for example. “I am convinced that the internal visibility of the key account managers is important. They must be securely anchored within the company and must be invested with the insignia of authority and status,” says Mercuri partner Wolfgang Bussmann.

In the final analysis, the whole package must be right if the key account manager is to be satisfied and happy in his job.

## ON WHAT PERIODS ARE TARGETS BASED (AS A PERCENTAGE)



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Classic annual targets dominate with 84.5 percent. Only 3.2 percent of businesses use multi-annual targets. Eleven percent of those surveyed use a mix of short-term and medium-term targets.

And, because money isn't everything for key account managers, aspects such as management style, communication and cooperation, prestige and career opportunities should be sufficiently considered.