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Do key account managers focus too much on commercial performance? A cognitive mapping application☆

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ABSTRACT

Key account management programs have priority in the banking sector, conditioned by the drive to achieve competitive advantage while securing customer loyalty. Employees must manage these programs with demonstrated relationship- and ethics-based attributes, and devote themselves fully to customers of strategic importance. By studying the thoughts of these key account managers, this research seeks to gain an enhanced understanding of how key account management programs operate in the banking sector and where account managers' focus lies. The cognitive mapping technique used makes possible the capture of key account managers' thinking and allows the representation of their ideas in the form of a network of concepts. Data answers to spontaneous, open-ended questions and recording the output in systematic exploration grids. Findings conform worries of managers that key account management focuses mainly on behavioral performance, followed by in-role, extra-role and results-based performance at the cost of return on investment objectives.

1. Introduction

The intangible nature of a service obligates the customer to base his or her decision on various aspects linked to the service offer such as personal contact and/or physical environment (Ivens, 2004; Nguyen & Leblanc, 2002). In the context of service marketing, relationship behavior plays a dominant role and management of the latter appears to have a decisive impact on the success of the organization providing the service or services. The service environment thus requires management tools that differ from those used in traditional goods marketing situations.

This phenomenon explains why the philosophy of relationship marketing contributes so handsomely to the expansion of customer relationship management in the service sector, more particularly in the banking sector, with a view to creating value (Berry, 2002). However, in addition to being complex, the adoption of a relationship-based approach supposes added investment in time, human resources, training and money, which explains why financial institutions do their utmost upstream to ensure profitability and return on investment. Indeed, from a purely financial standpoint, a bank cannot allow itself to treat all customers in accordance with a relationship-based approach. In addition, given perceptions respecting the types of more or less complex services considered, sensitivity to transfer costs and individual customer personalities, some customers tend to adopt more transaction-based behavior and are not necessarily willing to commit to a long-term relationship (Perrien and Ricard, 1994). Hence, since the early 1990s, many banks have instituted key account management (KAM) programs based on a pre-selection of customers deemed of strategic importance, the object being to offer these customers specific, more personalized treatment and services and, more importantly, to develop a performance-oriented customer relationship management strategy while increasing sales (Brehmer and Rehme, 2009; Dussart and Nantel, 2007, Hughes et al., 2005).

A KAM program is the “introduction by a provider of a relationship-based approach through the use of specific relationship or organizational resources” (Ivens and Pardo, 2004, p. 5). Indeed, the “KAM is a way of having one single salesperson, or a sales team, responsible for a major account” (Brehmer and Rehme, 2009, p. 963). In a KAM program, contact personnel play a major role. They manage the customer relationship and determine the probability of ongoing exchange between the parties into the future. They deliver the promises made by the company, create an image and sell company services. They impact the creation and maintenance of a relationship of trust between the company and the customer. During a service meeting, salespersons exercise the greatest impact over the customer while showcasing the service organization's performance (Durif, Graf, & Abdelmoula, 2007; Zupancic, 2008). Accordingly, the manner in which contact personnel are trained, managed and

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compensated has a decisive impact on the success of a given KAM program.

Although KAM programs enjoy widespread popularity, few academic and managerial studies have chosen to focus on them, especially KAM programs in the financial services sector, and none have considered the role played by contact personnel in this type of program (Hughes, Foss, Stone, & Cheverton, 2005; Ivens & Pardo, 2007). This research seeks to gain an enhanced understanding of how KAM programs function in the banking sector by studying the role of contact personnel. Cognitive mapping is a helpful management tool little employed in marketing that will help to attain this end. This technique makes possible the capture of manager thinking and mindset on specific subjects, in schematic form that, in turn, allows for the representation of ideas in the form of a network of concepts (Cossette, 2004). This paper first explains the reasons why the relationship-based approach is of strategic importance in the financial services sector. Second, this article presents the specifics of KAM programs. Third, with the aid of cognitive mapping applied to the financial services sector, the authors analyze KAM implementation. Lastly, findings provide managerial advice designed to assist banks in implementing KAM programs, which perform from both the economic and social standpoints.

1.1. Relationship marketing, a strategic imperative in banking services management

Today, given ever-increasing market competitiveness, financial institutions may still enjoy the luxury of being able to win over new customers, but fewer and fewer can afford to shed customers (Berry, 2002). A relationship marketing approach based on ongoing personal relations with customers therefore appears particularly well suited to a sector characterized by a high level of risk and long term purchases, with respect to which the relationship factor is central to service delivery. Indeed, compared to other industries, the financial services sector is well poised to reap the benefits of a relationship-based approach, given that a significant share of customers seek to establish relations with their account manager, who serves as the direct link between the customer and the service (Barnes & Howlett, 1998). In fact, service satisfaction derives largely from the relationship-based interaction between the contact or front-line employee and the customer (Berry & Parasuraman, 1993). However, the appeal of the relationship-based approach owes much to the anticipated benefits for both financial institutions and customers (Table 1).

The characteristics specific to the services offered nonetheless entail a higher level of perceived risk for the customer than for more tangible products. A recent survey conducted by Option Consommateurs speaks volumes about the variability and quality of services offered by financial advisors in Québec, Canada. According to their study, whether in relation to customer knowledge (e.g., collection of information pertaining to the customer's finances and family situation, risk tolerance) or the formulation of clear, comprehensive and appropriate recommendations, only 8 advisors out of 39 (about 20%) of those employed with financial institutions, investment companies and insurance companies performed faultlessly. In conclusion, the survey points to consistently poor customer service and rampant incompetence owing to flawed data collection techniques, erroneous information and obscure, inappropriate recommendations. For example, many omit to query customers about their debt load or provide incorrect information.

As a consequence, contact personnel have a crucial role to play in reducing the perceived level of risk in the financial services sector. The account manager is the direct link between the customer and the service. The customer views the account manager as responsible for the poor quality of services rendered, which reflects in equal measure on the financial institution that he or she represents. The customer is the one who, by word of mouth, spreads positive or negative information about his or her account manager to potential customers. It goes without saying that when negative in substance, this information can have damaging consequences on the performance of the financial institution (Palmatier, Dant, Grewal, & Evans, 2007).

1.2. KAM in the banking sector; a selective relationship-based approach

KAM programs assume that each organization's customer portfolio comprises of a number of key customers. The company considers these established customers as key accounts because they possess certain strategic characteristics. For example, they may be ripe with sales opportunities (Brehmer & Rehme, 2009), and thus deserving of preferential or special treatment (Piercy & Lane, 2006). In the case of corporate customers, selection criteria include business volume, technological advance, international presence, industry reputation, and so on. For individual customers, criteria include assets, property holdings, salary, profession and development potential. A KAM program can, in the proper sense, be considered as one of the means by which a service provider introduces a relationship-based approach into a marketing strategy; the object being to reach out to certain customers by treating them in a more individualized manner. For many organizations, KAM programs extend beyond the confines of simple sales strategy and tend rather towards veritable partnerships with major accounts.

This type of relationship-based program nonetheless seeks mainly to fulfill profitability objectives and to create value for companies (Hughes et al., 2005). In the case of the financial services sector, this approach has become a priority conditioned by the drive to achieve competitive advantage and to satisfy complex financial needs, while securing customer loyalty.

The difficulty, in the case of the financial services sector, in gaining competitive advantage lies in the fact that despite the high number of products and services launched each year, these are easily replicated by the competition (Grönroos, 2004; Perrien & Ricard, 1994). Astute recommendations by account managers can therefore make all the difference in terms of customer perception of service quality.

Table 1
Benefits of relationship-based approach in banking sector.

Potential benefits for financial institutions (Boot, 2000; Graf & Graf, 2004)	Potential benefits for customers (Adapted from Gilbert & Choi, 2003)
Ease of reuse of information over time	Greater assurance of credit availability
Flexibility in entering into implicit long term contacts	Presence of representative within institution (account manager)
Low cost of renegotiating contracts	Better service offer owing to enhanced knowledge of needs
Monitoring and more efficient use of personal or collateral guarantees	Optimal use of time
Tempering of risk	Reduction in risk of making non-suitable service purchases
Enhanced growth, performance and financial yield	Special treatment: Certain services provided free of charge, etc.
Increase in cross sales	Swiftness of response in satisfying needs and providing other services
Differentiation tool (competitive advantage)	Privileged access to new business opportunities, new ideas and new services
Lower loyalty costs	Priority treatment in situations of conflict
Increase in customer loyalty	Reduction in rates for services provided, preferred rates of interest, etc.