INDIAN STEEL INDUSTRY

During May 1967 to January 1992, mild steel was a controlled item and so the price and distribution were governed by the Joint Plant Committee (JPC) of the Government of India. This controlled regime had both protected and alienated the Indian steel industry from competitive forces.

Soon after decontrol in 1992, many new firms started setting up steel plants and this quickly resulted in a situation of oversupply and increased competition in the domestic market. In 1999, India was the 10th largest steel producer in the world with a total capacity of about 26.21 million tonnes of finished steel. In the same year, per capita steel consumption in India was 24 kg as compared to the global average of 119 kg. During the period 1997-2002, global steel industry also suffered from over capacity, lower overall demand, and price wars. Thus, in addition to domestic competition, large quantity of cheaper imports were putting tremendous pressure on steel prices which could erode margins and seriously affect the bottom lines of most Indian steel producers. At that time rivalry within steel producers was high, bargaining power of both the buyer and the supplier was also high, and threats from new entrants were limited by the declining industry profitability. The threat from substitutes (like plastics, ceramics, aluminum, etc.) was continuously increasing with the advent of material science and technology. At the same time, most steel consuming sectors were undergoing dramatic change, witnessing substantial increase in competition, frequent new product launches, increased sophistication in the process of steel consumption, and use of end products (like ultra-light auto body, rust-free steel for white goods, high-performing steel for ships, earthquake-resistant ribbed bar for construction, etc.). While many of the traditional high-volume customer segments had seen their margin narrowing down drastically, steel demand from certain sectors like automobile, white goods, ship-building, and construction were showing an increasing trend. In all the steel consuming segments, however, it was the few prominent players who enjoyed growth, prosperity, and command over steel suppliers.

Since 2003, the steel industry has been experiencing a boom due to rising international demand, deliberate production adjustments, large infrastructure investments within and outside the country, consolidation by mergers and acquisitions, and consequent increase in steel prices. Though input costs in terms of coal, ore, power, refractory, and
alloying elements have increased manifold during this period, almost all the Indian steel producing companies have made record profits since 2004. In 2006, India was the 9th largest producer of steel in the world with a total capacity of about 42 million tonnes and an estimated per capita consumption of about 33 kg. Today, in 2011, there are seven large suppliers with integrated steel plants and many secondary producers who collectively produce about 65 million tonnes of finished steel. All the existing integrated steel plants and many other suppliers are currently in the process of large scale capacity expansion and threat from new entrants are also high as some of the global giants are trying to set up steel plants in different parts of the country. Projected steelmaking capacity by 2020 is 272 million tonnes while the likely domestic demand is only 220 million tonnes. Analysts apprehend that if all the existing suppliers and foreign multinationals continue with their capacity expansion plans, selling steel in post-investment era would be an extremely difficult task. Further, due to global recession, low import restriction, and increasing sophistication of steel users, Indian customers have become very demanding, both in terms of quality of steel and support services. To an Indian steel supplier, perhaps, the challenge of retaining profitable customers is now more critical than ever.

**Motivation for a Steel Supplier to Adopt KAM Strategy**

Way back in 1999-2000, adoption of customer relationship marketing strategy in the Indian business sector was rare. The idea of implementing Key Account Management (KAM) process in such an environment was unprecedented.

Various ongoing business-to-business marketing strategies of domestic steel suppliers can be summarized in 2x2 matrix as given in Figure 1. Since the present case deals with integrated steel plants as suppliers, it will be relevant to discuss only the situations pertaining to a large supplier of steel.

**Large Supplier / Large Customer**

There are a handful of large customers for each product (like hot-rolled coil/cold-rolled coil/wire rod, etc.) buying steel in bulk quantity every year. Obviously, these customers are continuously chased by all suppliers alike. Furthermore, the purchase pattern, like consistent buying and large order for an item, enables the main producer to efficiently plan, produce, and deliver steel to them, when such customers agree to place repeat orders. These large volume customers expect suppliers not only to sell them what they want but to do so at preferred locations, by maintaining quality, consistency, superior service, minimum lead time, competitive prices, and in compliance with their purchasing systems. Not satisfying these needs would be a costlier proposition than satisfying the needs because the existence and prosperity of large-scale producers to a great extent depend on major buyers in each product market.

At the same time, customers in large reputed firms are likelier than most other customers to appreciate ‘key account’ status, exhibit little insensitivity to price, and value the relationship building drives of a supplier. In a competitive market, the cost of customer dissatisfaction for these large buyers is also higher than most other customers.

Individual account strategies are therefore appropriate to deliver highly customized solutions to these custom-
ers that differentiate a supplier’s offer and help in building close relationships between two firms.

Large Supplier / Small Customer

Small business firms usually buy small quantities and in wide variety, which are difficult for a large steel supplier to produce and deliver as per a customer’s preference. They are better serviced through resellers operating in the local market. At times however, small firms become attractive to serve directly by a main producer of steel when such customers regularly buy special grades of steel that fetches very high price and margins for the supplier. In special grades, order execution is usually a complex task that demands coordinated cross-functional efforts between production and marketing. Individual account strategies may also pay dividends for some small firms which consistently buy steel items that are easy to produce and are usually available in stock.

While the KAM process is expected to perform functions like developing tailored solutions to customer’s needs, providing personalized assurance and reassurance to buying firms, effectively solving customer problems, and generating vital feedback on customer needs and future plans, the process is also expected to create a strong service culture within the organization so that the service level and quality are enhanced for all customers including that of the non-key customers.

ABC STEEL COMPANY

ABC is one of the largest mild steel producing companies in India. The firm serves more than 4,000 customers every year and is engaged in production of both long and flat products. About 97 percent of the company’s total sales turnover takes place in the domestic market, where, on an average, more than 95 percent of the mild steel is sold to the business market by company’s own sales force and the balance of less than 5 percent (approx.) is traded. To cater to the demand of customers spread across India, ABC has many sales offices and warehouses situated at different strategic locations.

In 1998-1999, ABC was under pressure due to adverse market conditions and there was a debate within the company regarding the strategic direction that it should pursue in coming years. So, a consultant was appointed to suggest changes that were necessary for going forward. The consultant firm was quite renowned and had many standard solutions for similar firms. However, for ABC, they sent mostly fresh MBAs with some training. They took quite some time to understand the company’s policies and procedures out of their consulting tenure of about four months. Further, compared to the ideal workload, very few such people were engaged and they took feedback only from five percent of ABC’s total work areas. One of the questions with which they started their investigation was: ‘Who will be the customers, if we start KAM process here?’ At that time ABC did not have centralized database even for transactional data. Information regarding customer’s use, consumption, purchases, service requirements, etc. was not readily and accurately available. The management of ABC, however, was very supportive to the consultants and was inclined to adopt their recommendations from the very beginning.

In 1999-2000, based on the suggestion received from the consultant firm, the company reorganized its marketing setup in long product and flat product group. About half of the executives who interacted, indicated that they found it beneficial to have those two groups that increased the company’s focus on product categories. However, the other half was not convinced that the two groups were essential or even beneficial to the company.

Another major suggestion of the consultant was to introduce KAM process at ABC for increasing profitability and customer loyalty. To start with, it helped the company for a few months in rolling out the concept in two pilot branches. Afterwards, the concept of KAM was formally introduced throughout the organization along with the redesigned order management system. Since 1999, ABC’s sales have grown consecutively every year and in 2007-2008, the sales growth over 1998-1999 was about 54 percent. In 2010-2011, the growth was 62 percent. This growth, however, was also possible due to higher production by ABC through phase-wise capacity expansion and increase in domestic demand of steel. As per company’s record, ABC’s market share was 25.8 percent, 20.4 percent, and 15.9 percent in 1999-2000, 2007-2008, and 2010-2011 respectively. ABC believed that this fall in market share was solely due to low capacity in the growing steel market and hence took bold steps for large-scale modernization and capacity expansion. By 2015, the capacity of the company is likely to be doubled from the existing level. The organization structure of ABC’s marketing division is illustrated in Figure 2.
ABC’s sales to top 100, top 10, and top 30 customers were also growing every year. During financial years 2009-2010 and 2010-2011, sales to top 100, top 30, and top 10 customers were maintained at 50 percent, 30 percent, and 19 percent respectively. Nevertheless, ABC still encounters various challenges with respect to their KAM programme.

**KAM Process at ABC**

Implementation of KAM process in ABC was based on the well-known ‘80-20 Pareto principle’. Like in most other businesses, ABC had small groups of important customers who were responsible for the high share of total sales/revenue rather than the larger base of small customers. Thus, customers in this 20 percent group were very important to sustain the company’s performance and are therefore required to be provided special care. KAM process was expected to enhance company’s offers to these selected accounts through concerted cross-functional efforts involving both production and marketing.

**Account Selection**

Based on the sales revenue from a customer and ABC’s share in the same, the consultant suggested dividing the existing customers into four categories (Figure 3) so that the implication of the company’s action for a customer is also pronounced at once. In terms of sales revenue, customers who purchased steel worth ₹3 crore or more were marked in the high revenue category and customers for which ABC’s share was less than 50 percent in the last three years, were marked in the low share category. Accordingly, the four quadrants of the matrix were named:
as ‘protect aggressively’ (high-high), ‘defend share’, ‘grow share’ and ‘grow selectively’ (low-low). Over a period of time, one of the objectives of the KAM process was also to ensure the migration of maximum number of customers to high-high quadrant ‘A’ considered most valuable and suitable for selecting customers for the KAM process.

At the time of implementation, however, ABC decided to include all regular customers contributing to yearly sales revenue of ₹5 crore and above, from any one sales office, under the KAM process. These customers were designated as Branch Key Accounts (BKA). Any customer procuring steel from sales offices at multiple locations was included under the KAM process if her minimum yearly sales revenue was ₹15 crore. These customers were designated as National Key Accounts (NKA).

Besides above, the customers of special quality steel with minimum monthly requirement of 100 tonnes and project customers procuring at least 1,000 tonnes of steel for the project were also included under the KAM process. Depending on the dealing of these customers with the sales offices, they were marked either as BKA or NKA. However, resellers were not included under the KAM process even if they fulfilled any of the above criteria, primarily to convey the company’s focus on the customers, who are actual users of steel.

**Process Coordination**

The activities suggested by the consultant are illustrated in Figure 4. The KAM process starts by identifying the existing customer related issues on quality, delivery, and service. Potential solutions are worked out based on joint brainstorming between the marketing and production units. A detailed action plan is then drawn out along with specific roles and responsibilities for implementing these initiatives. Finally, the performance against each customer is monitored on a regular basis. The process of fine-tuning continues at each stage based on the feedback received from the previous stages.

In most cases, the dealing sales executives of the branch were given the additional responsibility of acting as Customer Account Manager (CAM) and were designated as Branch Key Account Manager (BKAM). One new executive was posted at each of the four regional offices to take care of all NKAs of the region. These executives were des-

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**Figure 4: KAM Process Design at ABC**

![Process Diagram]

- Analyse industry dynamics and customer performance
- Assess company’s interaction with customer
- Prioritize solutions (given account conditions)
- Develop detailed implementation plan
- Brainstorm ideas
- Perform costs/benefit analysis
- Gather internal information
- Interview customer
- Summarize needs
- Examine attribute performance and cost blocks
- Measure quantitatively and qualitatively
- Assess from customer’s perspective, i.e. after outside processing
- Identify gaps between customer’s needs/wants and supplier’s performance
- Identify opportunities based on capabilities and profit potential. Set target (1 to 5 years)

**Source:** Company records
ignated as National Key Account Manager (NKAM). They were required to coordinate the day-to-day activities relating to their customers with sales executives and accounting officers of different branches, mainly over phone. The choice of BKAMs was mostly based on the branch sales manager’s or regional manager’s recommendations which were subjective in nature. NAKMs were posted as per the regular transfer policy of the company and considering the pending requests for posting at regional locations. To take care of the quality and delivery related issues at the production unit, two new posts, namely Plant Account Coordinator (PAC) and Plant Information Coordinator (PIC), were created. Together, NKAMs, BKAMs, PIC, and PAC formed the cross-functional team responsible for delivering the optimum technical delivery condition (TDC) to be adhered to for each of their key customers, improving efficiency in execution of orders and for facilitating timely information on order status. This team was directed to make adequate visits to their key accounts so that they could develop an understanding of parameters affecting the performance of the products at the customers’ end vis-à-vis the competitors’ steel procured and used by the customer at the same time. The account managers were to provide customers’ feedback on quality and delivery issue to the respective PIC and PAC. A task of the PIC and PAC was to send action taken reports (ATR) to the respective NKAMs/BKAMs for onward communication to customers. Since the quality parameters (as included in TDC) were different for different key accounts, the input slabs, used for production of steel items, were to be codified and marked piece by piece to avoid any mix up at the downstream production line in the plant. Such close monitoring from the beginning was expected to help attain the desired level of steel customization, order tracking, and timely delivery to customers. Order-wise daily production data was to be collected and collated by PIC and PAC for onward transmission to BKAMs and NKAMs. Departmental HODs at production units were also directed to extend all cooperation to PICs, PACs, and NKAMs / BKAMs. PIC and PAC were expected to work in close coordination with various production departments involved in servicing customers’ orders. In addition, a team of senior executives, called steering committee was also constituted for supervising and supporting the KAM process with special emphasis on order receipt and execution. The KAM team structure is shown in Figure 5. The content of the formal office orders issued for NKAM/BKAM, PIC, PAC, and Steering Committee is given in Exhibit 1 (Appendix).

Figure 5: KAM Team Structure at ABC

Source: Company records
Prioritization of Orders

It was felt that there may be a need to prioritize order execution, the system for which may be dove-tailed with the key account concept by giving priority to national key accounts and branch key accounts over other customers. Within each product category, the prioritization was to be done on the basis of profitability of the order. The concerned product managers in consultation with head of marketing (flat and long products) will be the single entity responsible for prioritizing orders based on the above. Calculation of likely profitability of an order, finding the stock of input materials or finished steel matching with an order, assessing shipment requirements, developing production plan, and finally, dispatching steel against orders were to be done manually at ABC in the absence of an appropriate information system.

Managing Customer Relationships

Prior to the introduction of the KAM process, the executives in the branch sales office were responsible only for sale of products to a group of customers. Similarly, the customers, who required more than one product, would deal with two or more sales executives. Besides above, the customers had to interact with different officials for different issues pertaining to order status, warehousing, pricing, payments, refunds, account reconciliation, quality complaints, and other services that may be required from time to time. The management at ABC observed that important customers were deeply annoyed at having to deal with multiple departments, rather than just one manager whom they preferred. In other words, the multiple windows for servicing of orders were affecting customers’ satisfaction. To overcome such bottlenecks, NKAMs/BKAMs were entrusted with the job of handling every aspect of the key accounts attached to them.

NKAMs/BKAMs along with the PIC and PAC were to hold several meetings with the customers to be able to finalize a TDC that could be supplied by ABC and would satisfy the customers’ needs better. Wherever they needed assistance, company’s application engineers were directed to provide necessary assistance. In this process, a ‘blue book’ containing the details of the TDC to be supplied by ABC for each key customer was prepared. NKAMs/BKAMs were to initiate revision of a blue book whenever they felt its necessity with respect to some change in customer’s or ABC’s requirements. PIC and PAC were to monitor and ensure discipline in various departments within production for strict compliance of the blue book parameters. As frontline executives, NKAMs/BKAMs were required to deliver extraordinary services to key customers.

NKAMs/BKAMs were to collect data on customer’s satisfaction/dissatisfaction every month against the important parameters outlined in the blue book and prices offered for the supplies made in the foregoing month. These data were to be analysed and utilized at all levels including head of marketing and production for deciding the future course of action. Later, this was linked to company’s ISO implementation and a minimum cut-off level of 80 percent was stipulated in quality objectives at most departments. Improvement in supply performance due to corrective measures taken at the plants and marketing was expected to help ABC in achieving continual improvement in customer’s satisfaction levels. A typical customer’s satisfaction measurement sheet is shown in Exhibit 2 (Appendix).

MOU Scheme

Another marketing programme that interacted intimately with company’s KAM strategy was the memorandum of understanding (MOU) scheme of ABC.

MOUs were generally signed for supply of one item or a combination of few items (like hot-rolled coil/cold-rolled coil/sheets and plates, etc.) for a specified quantity within a specified period. Customers, however, were allowed to purchase small quantities of other items under the MOU with its benefits. A typical MOU scheme provided three financial benefits: cash discount in lieu of interest-free credit against purchases, consistency incentive against the purchase of a minimum quantity every month throughout the MOU period, and, yearly turnover discount against the purchase of a minimum stipulated quantity during the year (Exhibit 3). Rates at which these benefits were payable varied depending on the item and quantity being purchased by the customer. MOUs were usually signed for one year. However, for some special cases, ABC and their selected customers also signed MOU for an extended period of two years or more. Usually, for MOU customers, prices ruling on the date of supply (net of ongoing discounts) were charged and MOU benefits remained additional. Once some purchases were made by the customers considering the MOU benefits receiv-
able by them, they found it difficult to exit the scheme and forego the benefits. Thus, the scheme created a switching barrier for these customers. Since a MOU-quantity could be increased within its validity period and a higher quantity signified higher financial benefits, the scheme also motivated some customers to provide more business to the suppliers.

ABC signed MOUs with non-key customers including large number of resellers. Thus, at ABC, almost all key customers were MOU customers, but, all MOU customers were not key customers. Usually, production and supply planning at ABC revolved around a customer’s MOU status and pending quantities to be bought or serviced. Depending on the market condition, customers were often encouraged to sign for a larger quantity so that their financial benefits were more. Many key customers, therefore, signed MOU for more than their actual consumption requirement and ended up selling the excess quantity in the market. Sometimes, a trader dealing with one or multiple items, who were also a MOU customer, approached key customers to buy through him. Some key customers found that buying through MOU consistently every month and ensuring yearly benefits at the end of the year was difficult and therefore preferred to buy from a trader. At some locations, two or more key customers or resellers united and formed a syndicate to buy their total requirements under one MOU.

Customers’ Perception

Fifteen key customers of ABC who agreed to participate in the survey were also the key customers of two other firms, XYZ and EFG, in the same strategic group as ABC. Table 1 shows the ratings obtained when the customers were requested to compare all the three suppliers.

To further evaluate these customers’ perception about KAM process in three different firms – ABC, XYZ and EFG – data was collected on eight key value drivers (for customers) of the KAM process, namely competent account manager, reduced risk, cost savings, improved information flow, effective supply customization, cooperation and collaboration from a supplier, improved customer service, and supplier’s long-term outlook (McDonald & Woodburn, 2007; Cannon & Narayandas, 2002; McDonald, 2000). Tables 2a-2d show the output of the analysis from SPSS.

The perceptual map (see Figure 6) obtained through multidimensional scaling of the data revealed a disturbing picture for ABC. As seen from the map, dimension 1 seemed to be a combination of information flow, risk reduction, customer service, and collaboration and cooperation. Dimension 2 seemed to comprise of competent account manager, cost savings, and supply customization. However, ‘long-term outlook’ was not useful in defining any of the two dimensions. While XYZ seemed to be stronger than both ABC and EFG on dimensions 1 and 2, ABC scored the lowest on both dimensions compared to its competitors.

Customers were then requested to comment on their experiences with ABC and XYZ so that the root causes creating these differences could be understood. In-depth personal interviews were conducted with all the 15 customers by using broad open-ended questions. Each interview lasted for about one hour and detailed notes were taken. Many of the respondents were contacted multiple times for further explanation and clarifications. Interview data was analysed as per the grounded theory coding

![Table 1: Ratings obtained from Customers](revitaliz-kam-process-at-abc-steel-company)
structure and second order themes were developed (Corbin & Strauss, 2008). Output of this analysis is given in Table 3.

Though values of Wilks’ Lambda against parameters are not low here, low values of degree of significances (Table 2d) indicate higher group differences for all parameters except long-term outlook, the importance of which in distinguishing among firms is found to be low.

**Table 2a: Tests of Equality of Group Means**

<table>
<thead>
<tr>
<th></th>
<th>Wilks’ Lambda</th>
<th>F</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Customization</td>
<td>0.695</td>
<td>9.222</td>
<td>2</td>
<td>42</td>
<td>0.000</td>
</tr>
<tr>
<td>Risk Reduction</td>
<td>0.622</td>
<td>12.753</td>
<td>2</td>
<td>42</td>
<td>0.000</td>
</tr>
<tr>
<td>Long-Term Outlook</td>
<td>0.943</td>
<td>1.273</td>
<td>2</td>
<td>42</td>
<td>0.291</td>
</tr>
<tr>
<td>Competent Account Manager</td>
<td>0.638</td>
<td>11.909</td>
<td>2</td>
<td>42</td>
<td>0.000</td>
</tr>
<tr>
<td>Information Flow</td>
<td>0.797</td>
<td>5.341</td>
<td>2</td>
<td>42</td>
<td>0.009</td>
</tr>
<tr>
<td>Customer Service</td>
<td>0.769</td>
<td>6.325</td>
<td>2</td>
<td>42</td>
<td>0.004</td>
</tr>
<tr>
<td>Collaboration Cooperation</td>
<td>0.766</td>
<td>6.425</td>
<td>2</td>
<td>42</td>
<td>0.004</td>
</tr>
<tr>
<td>Cost Savings</td>
<td>0.754</td>
<td>6.848</td>
<td>2</td>
<td>42</td>
<td>0.003</td>
</tr>
</tbody>
</table>

**Table 2b: Wilks’ Lambda**

<table>
<thead>
<tr>
<th>Test of Function(s)</th>
<th>Wilks’ Lambda</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 through 2</td>
<td>0.146</td>
<td>74.032</td>
<td>16</td>
<td>0.000</td>
</tr>
<tr>
<td>2</td>
<td>0.569</td>
<td>21.696</td>
<td>7</td>
<td>0.003</td>
</tr>
</tbody>
</table>

**Table 2c: Standardized Canonical Discriminant Function Coefficients**

<table>
<thead>
<tr>
<th>Function</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply customization</td>
<td>0.341848463</td>
<td>0.554244284</td>
</tr>
<tr>
<td>Risk reduction</td>
<td>0.275503134</td>
<td>0.157900281</td>
</tr>
<tr>
<td>Competent account manager</td>
<td>0.118085207</td>
<td>0.598891742</td>
</tr>
<tr>
<td>Information flow</td>
<td>0.622415211</td>
<td>0.237439095</td>
</tr>
<tr>
<td>Customer service</td>
<td>0.856304877</td>
<td>0.309938502</td>
</tr>
<tr>
<td>Collaboration &amp; cooperation</td>
<td>0.333944426</td>
<td>0.072396533</td>
</tr>
<tr>
<td>Long-term outlook</td>
<td>0.590747845</td>
<td>0.147132439</td>
</tr>
<tr>
<td>Cost savings</td>
<td>0.038371778</td>
<td>0.55021542</td>
</tr>
</tbody>
</table>

**Table 2d: Unstandardized Canonical Discriminant Functions**

<table>
<thead>
<tr>
<th>Functions at Group Centroids</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>ABC</td>
</tr>
<tr>
<td>XYZ</td>
</tr>
<tr>
<td>EFG</td>
</tr>
</tbody>
</table>
Low value of Wilks’ Lambda and its degree of significance indicate that both functions are significant and they are able to explain the differences in the groups. This was also evident from the eigen values (not shown here) obtained for each function. While the first eigen value for Function 1 explained 79.3 percent variance in the input data, the second eigen value for Function 2 explained 20.7 percent of variance.

Customers’ responses clearly pointed towards poor internal consistency of ABC’s KAM strategy and revealed their preference for XYZ over others. Some of the important comments were as under:

"Whenever my order quantity is small, I do not get a proper reply from ABC. I find that no care is taken for small orders."

"ABC’s account manager has a whole lot of responsibilities. He is too busy to take special care for us. In addition, his basic priority is sales and following the latest circulars. Sales policy is changed quite often."

"At ABC there is no peace of mind after placing an order. We need to travel to the plant quite often. Marketing department has very little role after the order is placed. Sometimes our persuasions work."

"In spite of many efforts, ABC is still not able to provide us order status information in time. Many times information about dispatches is also received late."

"ABC’s dealing officers have no power. Traders get better prices and facilities."

"Account managers at ABC receive dispatch information very late. It does not serve our purpose. We take services of an external agency located near their plant. They fax us the dispatch details almost instantaneously."

"If all the steel required by us were available at XYZ, we could have taken everything from them."

Important differences as pointed out by the respondents are given in Table 3.

**Perception of Internal Employees at ABC**

In a formal meeting, 12 executives were purposively called for identifying the problems associated with the KAM process so that suitable solutions could be chalked out. These executives were located at different geographic locations, all over India, and dealt with KAM process intensively. According to records of the meeting, problems identified were as under:

- Not strictly following the laid down policy was identified as the primary reason for present ineffectiveness of the KAM process. ABC, being a very large company, perfect implementation was impossible unless all the responsible employees embraced the strategy and did their best to make it a success. In fact, it was found that for many key accounts, even the name of PIC and PAC was not known to BKAMs/NKAMs and vice versa.
- Most of the NKAMs/BKAMs were young executives working with little delegation of power and were burdened with the responsibility of many accounts and other day-to-day jobs necessary for sales accounting and preparation of reports for higher authorities. They found it difficult to coordinate with various departments effectively for providing single window service to customers. Also they had little training to decide the priorities and chose the best course of action. Further, as they gained experience, developed intimacy with customers, and grew in the organization, they were transferred to take up different responsibilities.
- Since marketing worked almost as two different set-ups looking after ‘long’ and ‘flat’ products, rarely a NKAM/BKAM was able to provide a satisfactory single window service to the key accounts who required both flat and long products.
- On many instances, senior officers directly conveyed important decisions to customers without the knowledge of the respective NKAM/BKAM. Further, many such decisions were in contradiction to the discussions the account manager had with the customer. Among policy makers, there was also a lack of concern for the commitments already given by the account managers. All these issues were putting the dealing NKAM/BKAM in an awkward situation, eroding his/her credibility with the customer.
- Some clever customers knew that they could get better prices and other help, if they kept in touch with ABC’s senior officers. Such customers never wanted to avail the single window service; they rather wanted to get rid of it.
- In falling market, price relaxations were often agreed

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1 Traders are non-key customers who are engaged in reselling of steel and at ABC, they are not distributors or dealers. If they are able to negotiate better terms, they can approach key customers for buying ABC’s steel through them.
Table 3: Analysis of Customers’ Responses

<table>
<thead>
<tr>
<th>Key Criteria (2nd order themes) of Distinction</th>
<th>Underlying Reasons (as per the interview data)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>XYZ</strong></td>
<td><strong>ABC</strong></td>
</tr>
<tr>
<td><strong>Product quality</strong></td>
<td>Usually defect-free steel is supplied; yield is high; quality complaints are rarely necessary.</td>
</tr>
<tr>
<td></td>
<td>Defects in steel persist; frequent quality complaints are required; rejections are more; shop floor workers do not prefer ABC’s steel.</td>
</tr>
<tr>
<td></td>
<td>Once finalized through trial and error, steel is supplied as per agreed parameter; consistency is maintained.</td>
</tr>
<tr>
<td></td>
<td>Steel quality is not consistent. One rake comes as per agreed parameters, but in the next rake, conditions are violated.</td>
</tr>
<tr>
<td><strong>Information flow</strong></td>
<td>Information flows automatically through web-based self-help tools, anytime and anywhere; apprehended failures/shutdowns are informed well in advance.</td>
</tr>
<tr>
<td></td>
<td>Essential information is obtained after a lot of requests; complete information is often missing; sometimes information is incorrect; information given about price increase is often misleading.</td>
</tr>
<tr>
<td></td>
<td>Account managers get important information well in advance and provide necessary guidance.</td>
</tr>
<tr>
<td></td>
<td>Account managers keep trying for and guessing the information.</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td>Gives price concessions spontaneously if market slides between order booking and delivery. If market prices go up, usually a negotiation is scheduled or price remains unchanged.</td>
</tr>
<tr>
<td></td>
<td>Price ruling on the date of delivery is applicable; so one is never sure of prices; price often fluctuates, month-to-month and within a month; monthly discounts/rebates vary widely; tries to increase price even at the slight improvement of market conditions.</td>
</tr>
<tr>
<td></td>
<td>For critical items, long-term prices are fixed through negotiation.</td>
</tr>
<tr>
<td></td>
<td>Long-term price is not applicable for MOU customers; higher prices are charged from MOU customers.</td>
</tr>
<tr>
<td></td>
<td>Discounts, credit, etc. are offered ahead of competitors; company has strong pricing intelligence.</td>
</tr>
<tr>
<td></td>
<td>Look for matching the better prices already offered by a rival; ask for evidence like competitor’s invoice etc.; decisions come late.</td>
</tr>
<tr>
<td><strong>Empowered CAM</strong></td>
<td>Account managers have enough power. They can talk directly to senior officers. Can take fast decisions to solve problems.</td>
</tr>
<tr>
<td></td>
<td>Account managers have little power. They are required to take approval for almost everything. Internal systems are bureaucratic and decisions are slow.</td>
</tr>
<tr>
<td></td>
<td>Coordination among marketing and other departments is appreciable; production obeys what marketing wants for customers.</td>
</tr>
<tr>
<td></td>
<td>Poor coordination between marketing and production; production often remains indifferent to customer’s requests; coordination at plant is very poor.</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>R&amp;D wing strives hard to innovate, either alone or in coordination with customers; research team visits customers periodically; customers’ suggestions are incorporated; many new proposals come.</td>
</tr>
<tr>
<td></td>
<td>Developmental efforts are not visible; rarely people visit for improvement; even technical problems continue, efforts to improve beyond blue book are rare.</td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>Key customers get special offers and services; efforts for adding new services are always on; requests are generally honoured.</td>
</tr>
<tr>
<td></td>
<td>Almost all MOU customers get uniform offers and service; new services are seldom added; at times traders get better cooperation than actual users.</td>
</tr>
<tr>
<td></td>
<td>In most cases, delivery commitments are kept; if delay is apprehended, advance information comes.</td>
</tr>
<tr>
<td></td>
<td>Sufferings due to missed delivery schedule are enormous; one needs to have contact at the top level to influence things.</td>
</tr>
</tbody>
</table>

by the top management only during the last week of the month/quarter. This resulted into occasional supply delay, loss of customer’s share, dissatisfaction among some customers, and occasional demand peaks.

- Though some of the originally prescribed drills like obtaining satisfaction score from customer, review, monitoring, etc. prevailed, these were mere routines and they hardly added any value to the customers’ businesses over time. Moreover, since the customers found that their problems were persisting in spite of repeated reporting through CSI, they were not taking this exercise seriously. Many customers were showing reluctance in filling up the CSI format every month. In extreme cases, production expressed dissatisfaction that a customer is giving low score in spite of their best efforts. Thus, in order to satisfy ISO audit, the customer was asked to rate plant’s performance on the higher side.

- While most competitors were using robust information system with e-access to their customers, ABC’s information system was transactional and hardly extended any help to the account managers/other executives in important marketing decisions. This
decreased the efficiency of account managers and also the customers always remained apprehensive.

- Order scheduling and order prioritization in the plant was mostly subjective and was not guided by the objective criteria of profitability, market share, sector importance, etc. Product managers at the marketing headquarter were far from actual operation as well as from the market. Their decisions were mostly guided by the MOU fulfillment reports, and requests from branches and other areas.
- Joint planning and development work with customers were scarce. Blue book, once prepared, was either not updated or updated only recently without much work on the changes really required for a customer.
- As the steel market started experiencing a boom since the year 2003-2004 and an element of scarcity became evident, the focus of the company gradually got shifted from customers’ demand fulfillment to allocation and rationing. Some loyal customers who bought higher quantity previously did not get similar allocation during the boom period. At times the sales offices were pressurized from the top for favouring a specific undeserving customer. Though all these factors were enough to weaken a good relationship, they were beyond the control of an account manager.

CHALLENGES AHEAD

Currently, ABC is pondering over the issue of eliminating existing weaknesses and integrating all the elements of a successful key account management strategy that may revitalize the existing KAM process. They are also wondering whether imitating the KAM process of XYZ would be possible and to what extent it would be beneficial. Some of the prominent executives seem to be skeptical that these changes would be sufficient to improve customers’ perception to an appreciable level. Many other executives think that the changes cannot be quickly implemented at ABC. The KAM process at XYZ is described in brief in Appendix 1.

Appendix 1: KAM Process at XYZ

Background

By 1999, XYZ had separated its core steel business from other unrelated businesses in order to increase the company’s focus on production and marketing of mild steel items. Soon, there was perceptible increase in business orientation, and as expected, XYZ was growing at a faster pace than before. However, recognizing the fact that Indian steel industry was poised for a big leap in the coming years, XYZ wanted to take one solid step that would enhance their position in the industry and more importantly among target customers. XYZ first conducted a ‘voice of customer’ survey to understand customers’ expectations and needs. It was found that the company needed to increase its response time to customers in a big way. It was also found that the company was losing business to competitors because of their lack of expertise on customers’ businesses and intimacy with customers. There was a consensus among the managers that the company could continue to grow and occupy leadership position only if the industry’s important customers preferred to do more business with XYZ than others. The company’s experience and several studies revealed that in steel, customers preferred a supplier most for cost-effective supplies (grades, sizes, properties, etc. that impact use and yield), value-added services, and the confidence that the customer could have on the supplier before placing the orders. The KAM process was found to be the most suitable strategy that could be designed to deliver high value and perform all that was required for securing a strong favourable perception among industry’s most profitable customers, and not only among XYZ’s existing customers.

Implementation

After operating for about 25 years, the KAM process at XYZ was an important departure from the old geography-centric branch-based sales executives handling all customers alike to cross-functional customer account management teams interacting with specified customers strategically. So, XYZ first constituted a core team of 15 senior executives to find out the best possible way of initiating and implementing the KAM strategy. The process started with some of the important change management initiatives that the company’s core team responsible for KAM implementation, recommended as essential. The major changes were as follows:

- Company’s sales force was divided into three broad
groups: (1) enterprise account managers – to look after the sales from branches to OEMs (actual users of steel), (2) commercial channel account managers – to look after the sales to company’s authorized distributors who handled branded products for the company, and (3) product-wise branch sales executives to take care of all other customers, mostly resellers. This was justified because the needs and wants of these three segments were widely different and serving them required largely different resources and skills.

• Removal of area sales manager at administrative level (equivalent to branch sales manager at ABC) at branches to ensure fast decision-making (as the CAMs could directly contact regional heads who had adequate power to take major decisions). Also, this motivated branch sales executives through job enrichment and self-supervision. The resulting structure of marketing is shown in Figure 7.

• Responsibility of day-to-day branch administration was given to branch finance so that sales executives got sufficient time to think and visit customers. This also enriched the job of accounting executives and motivated them.

• In addition, an enterprise resource planning software (namely, SAP) with necessary customization was quickly installed for taking care of most of the back office activities. The system also helped executives to understand the cost of serving a customer and see through possible scenarios before taking important decisions. Gradually, e-access was allowed to customers who could get real-time information on order status, delivery status, invoices, credit/debit notes and other tailor-made reports without bothering the account managers. In the year 2000, XYZ was the first supplier to take such an initiative in the Indian steel industry and over time, customers have extensively used these self-help tools.

• Large scale investments were made for office automation and for enhancing the look and facility of front as well as back offices so that quality time was available to most employees serving the customers directly or indirectly.

• Order generation and fulfillment was identified as the most important customer facing process and it was supported by a proven supply chain management system (namely, i2) that helped the company to achieve high service level and responsiveness to the customers.

• The process of quality control at production was thoroughly reworked. Instead of post-production sample testing, the process of online examination and rectification was started. Technologies for implementation of new control systems were procured and deviations with respect to set parameters were monitored continuously. A ‘zero defect’ campaign was launched and a monthly incentive scheme based on such performance was designed.

• To achieve all round excellence in customer service, a customer first programme was launched. Under the scheme, all employees were to be covered for a two-day training programme on customer value management. All executives and about 50 percent of the staff members underwent this training before implementation of KAM process and the rest of the people were also covered soon after implementation. Even now, this training is a must for all newcomers. In addition, a quarterly scheme for recognizing one employee for his/her outstanding contribution to customer value creation and maintenance was started. Later, when KAM teams developed a detail customer-wise chart indicating the customer’s quality and service needs that were to be fulfilled at various levels, these charts were displayed at all important areas including the shop floor so that all concerned could do the needful.

Figure 7: Organization Structure of Marketing Function at XYZ

Chief (Marketing and Sales)

<table>
<thead>
<tr>
<th>Chief Sales Managers (equivalent to regional managers at ABC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(One in each of the 4 regions)</td>
</tr>
</tbody>
</table>

Customer Account Managers (OE)  Customer Account Managers (Distribution)

Sales Executives

Galvanized  Cold-rolled  Hot-rolled
while manufacturing steel or providing a service to a key customer. Once prepared, compliance of deliver- ies against the chart was strictly monitored.

• It was decided to avoid push sales to the key custo-
mers. Customers were made free to buy steel as per their requirements. However, an annual business plan was developed through intervention at senior levels for both enterprise and channel accounts while the account managers were to take major responsibility in setting and achieving monthly sales goals for their customers besides developing intimacy with all im-
portant role players. It was decided to create a pull by delivering superior value through supply of custom-
ized steel (size, grades, oiling, tolerance, package weight, etc.) and offering long-term (quarterly/half-
yearly/annual) fixed price to relationship-based cus-
tomers. Gradually, the sales volume of customized steel and those under long-term price contract wit-
nessed sharp increase. All price revisions against long-
term price contracts were guided by two major criteria:

- Prices were in alignment with prices prevailing in domestic market.
- Prices were competitive against landed cost of im-
ports and offers available from major competitors (in India/abroad).

• Recently the requirement of a robust knowledge man-
agement (KM) system was felt. As the company con-
tinued to document customers’ problems, preferences, solutions offered to the customers, feedback received from them and further actions taken, etc., a system of remembering them at the right time and transferring that knowledge at different parts of the organization was found necessary. The KM system was first in-
stalled in marketing and was gradually spread among other functions of the company. Thus, all major or-
ganizational activities were soon covered. Learning through periodic assessment on each customer’s knowledge about the benefits being offered by the company, that of its competitors and the bundle of ben-
efits which the customer truly desired have helped XYZ enormously to improve their offerings and deal-
ings with customers and to delight them more often than the competitors.

KAM Process for OEMs

The top priority for the company was to fully understand the customers’ total requirements – right from enquiry to use of steel by the customers and by customers’ custom-
ers. It was, therefore, necessary for the account managers to spend substantially more time understanding each customer’s business including the implications of such a customer’s interactions with XYZ, XYZ’s competitors, and customer’s customers. Based on the level of customer’s intimacy with the company and the opportunities that may be available for value addition, XYZ classified target customers in four groups as illustrated in Figure 8. This classification helped the company to fine-tune its customer-specific KAM objectives too. For each enterprise account, there was a customer service team comprising of executives belonging to sales function, marketing func-
tion, technology, research and production. However, competencies of people necessary for developing intimacy and synergistic relationship with a few important strategic customers are significantly different from that necessary for maintaining an arm-length transactional relationship with a large number of non-key customers. Not only XYZ understood this well, they also went beyond this. As a team member’s knowledge, skills, attitude, and experience required for fulfillment of customer-wise identified objectives were different, XYZ decided to build four dif-
ferent kinds of trained and empowered teams to handle these four categories of customer accounts. The Manage-
ment’s challenge was to develop teams of right composi-
tion and place them with the right customers. Over time, XYZ has developed a unique system of recruiting, goal-
setting, and compensating the customer account teams. In recruitment, the company first made an attempt to in-
duct only the interested marketing executives as CAM. However, that did not work well. Now, qualifications (en-
gineering graduates or MBAs are preferred) serve as the first screening criteria. Then, individual’s knowledge and aspirations are matched systematically with the job re-
quirements before inviting an executive for final selection interview. During the course of operations, XYZ, how-
ever, was required to carry out many transfers among the team members depending on the developments at cus-
tomer’s end, detection of new opportunities/weakness, and individual’s performance.

The most important responsibility of all the teams was to gather data on the opportunity of value-addition. Wher-
ever customers could be convinced for joint efforts in value creation, teams were to ensure continued customer inter-

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2 These target customers were identified based on their account attractiveness depending on criteria like size, growth rate, image value, purchase process complexity, etc.
them about XYZ’s capabilities. The members of this team are required to target a segment or sub-segment of a customer’s value chain for knowing it thoroughly and to discover new opportunities of value creation in the relationship.

As a part of their relationship development strategy, all teams set customer-specific goals and measures of success for relationship enhancement. At the beginning of every financial year, actions to be taken to achieve these goals are described in detail, including what may happen, when, and where, and who will be responsible. In addition, review is undertaken systematically from time to time and further course of actions are decided based on the findings about progress or shortfall.

Some of the quotes from XYZ’s KAM team members were as under:

"Through KAM we are more seriously involved in our business which is nothing but serving, helping, and delighting customers.”

"Slowly our customers started seeking our ideas on how to use more of special quality steel and benefit from lifetime cost.”

"Some big name customers, who really are the reference point in the industry, are to be nurtured and retained even though they were not directly very profitable customers to the company.”

"The more we enquired about the value creation potential and developed relationship, we got astonishing results. Many customers, whom we earlier considered as non-profitable, opened the door of treasure that we now try to multiply jointly.”

"It is easy to operate KAM process, in the sense that we need to focus primarily on one thing — customer satisfaction on daily basis and in each encounter. Rest of the things follows of their own. To do this, however, we need to take care of almost everything within and outside the organization. The process is thus dependable and rewarding as it ensures long-term growth.”

Besides ensuring a smooth flow of steel and necessary information, in collaborative manner, these cross-functional teams tried to solve various technical problems encountered by the customers, devised plans for yield improvement, designed and delivered value-added services, generated ideas for process improvements and new product development, and induced many customers to co-produce value by making unexpected investments and

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**Figure 8: Classification of OEM Customers at XYZ**

<table>
<thead>
<tr>
<th>Potential of value addition opportunities</th>
<th>Build and strengthen relationship</th>
<th>Maintain and enhance relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>(Team C)</td>
<td>(Team A)</td>
</tr>
<tr>
<td>High</td>
<td>Develop intimacy, search opportunity</td>
<td>Maintain relationship, search opportunity</td>
</tr>
<tr>
<td></td>
<td>(Team D)</td>
<td>(Team B)</td>
</tr>
</tbody>
</table>

**Source:** Company records

---
accommodating XYZ’s supplies. Over time, by and large customers’ key decision-makers have developed strong interpersonal bonds with XYZ’s account managers and senior officials. Due to close coordination, many times, team members could anticipate likely problems in advance and therefore could initiate proactive actions to successfully overcome such problems. Recently, since many of the enterprise accounts were served by following Just-in-Time (JIT) concept of material delivery and vendor managed inventory, a major responsibility of account managers was to ensure smooth logistics in coordination with company’s ‘transport and shipping’ department. In general, all the different departments at XYZ have been instructed to extend full cooperation to KAM teams and follow their guidelines. The account managers at XYZ get special status and higher average incentives than other executives and there is competition among executives to be selected as a member of customer account teams and bag higher rewards by achieving excellence in customer service. And the company XYZ, with the help of valuable learning, has now developed strong customer satisfying capabilities.

APPENDIX

Exhibit 1: Office Order stating the Roles and Responsibilities at ABC

Roles and Responsibilities of Key Account Manager

**Primary Role**

- Manage ABC's relationship with key customer and enhance overall performance and profitability of key accounts in his/her portfolio
- Increase ABC's share, contribution, NSR, Cash Collection, Customer Satisfaction index (CSI) and any other performance indicators used to measure overall performance of the key account.

**Inter-organizational Coordination**

- Coordinate with branch manager for operational support including placement of orders to SRM with clear specifications for all TDCs, intimation of arrival of materials, issuance of delivery orders, financial documentation, etc.
- Coordinate with Plant Information Coordinator (PIC), SRM for information on order status and production scheduling
- Coordinate with Plant Account Coordinator (PAC) for account planning and follow up
- Coordinate with product management group regarding availability and for order prioritization and fulfillment.

**Key Duties / Responsibilities**

- Manage relationship with key decision-makers (senior management group as well as shop floor in-charges/executives) of Key Accounts
- Serve as the main contact point of ABC for all key account related customer requests, issues, and communications
- Organize regular meetings with customers (at least twice a month), plant and PAC visits as well as meeting with senior managers of ABC as and when required
- Develop and implement key account plans
- Set account objectives in consultation with PAC
- Forecast demand and plan grade-wise and size-wise quantities required by the key accounts
- Provide customer, market and competitor intelligence to PMG on a regular basis
- Provide weekly order status report to key accounts
- Formulate key strategies/initiatives (with due approval) to achieve objectives like profitability, CSI scores, sales, etc.
- Maintain updated profile of key accounts (including ABC’s and competitors’ share), future growth and requirements, present off-take and lifting patterns, financial performance, etc.
- Sign MOU and contract with key accounts within the approved extant guidelines
- Negotiate and finalize price with the approval of regional manager to book orders, plan delivery schedule in accordance with account targets and in coordination with plant and PMG wherever necessary
- Monitor and ensure fulfillment of Key Account orders as per plan in collaboration with plant, PMG and RM
- Obtain dispatch information from PIC
• Address customer complaints and initiate corrective action (involving PAC, RM, BM, etc. wherever necessary)
• Measure customer satisfaction index for each key accounts and provide feedback to plants and PMG / RMs on monthly basis
• Follow ABC’s monitoring and reviewing mechanisms related to key accounts management (e.g. reviewing key accounts programme status with RM and GM once a month).

Performance Measurement

• Financial: Determine account profitability, average contribution, cash collection
• Non-Financial: Improve CSI, adhere to delivery lead time, minimize deviation between forecast orders and actual orders, minimize emergency unplanned orders requests, eliminate abnormal delay in obtaining payment and in lifting materials from stockyard by the Key Accounts, and improve the quality of market intelligence provided to PMG.

Reporting Requirements

• KAMs are to prepare and send various management reports at regular intervals. The details are shown in Table A1.

Roles and Responsibilities of Plant Account Coordinator (PAC)

• Ensure implementation of all quality related initiatives (as outlined in the blue book prepared in consultation with customer) for the key account
• Ensure weekly meeting among cross-functional team in the plant (relevant team members in various shops are outlined in the blue book)
• Ensure that no materials are dispatched for the customers unless it meets customer-specified quality parameters
• Be responsible for attaining the highest customer satisfaction in the monthly CSI (customer satisfaction index) tracking in quality and delivery related issues – CSI would be measured by the KAMs and communicated to PAC
• Visit key accounts – at least once in two months
• Attend customer complaints quickly (preferably within 24 hours)
• Coordinate with PIC on a daily basis
• Coordinate with KAMs to get continuous feedback and incorporate changes
• Make weekly presentations to steering committee on status of key accounts.

Roles and Responsibilities of Plant Information Coordinator (PIC)

• Facilitate supply of materials to key customers strictly as per the committed delivery schedule
• Act as the interface between plant and the key account manager for order status and delivery-related information
• Coordinate with PAC at plant on a daily basis
• Provide order status report once a week to key account manager and SRM office for onward communication to the key accounts.

Roles and Responsibilities of Steering Committee

• Monitor progress on key customer orders on a weekly basis
• Facilitate de-bottlenecking/critical decision-taking at the plant level
• Generate status report for executive director’s office on a fortnightly basis.

Table A1: Reports to be sent by the KAMs

<table>
<thead>
<tr>
<th>Report</th>
<th>From</th>
<th>To</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Feedback</td>
<td>KAMs</td>
<td>SRM/PIC/PAC</td>
<td>At least once a month</td>
</tr>
<tr>
<td>Performance Feedback</td>
<td>KAMs</td>
<td>ED (Marketing)</td>
<td>At least once a month</td>
</tr>
<tr>
<td>Order Status</td>
<td>KAM (received from PIC)</td>
<td>Customer</td>
<td>Once a week (preferably Monday)</td>
</tr>
</tbody>
</table>
Exhibit 2: CSI Measurement Sheet at ABC — A Typical Calculation

<table>
<thead>
<tr>
<th>Category</th>
<th>Parameter</th>
<th>Importance</th>
<th>Satisfied</th>
<th>Somewhat Satisfied</th>
<th>Somewhat Dissatisfied</th>
<th>Dissatisfied</th>
<th>ABC’s Performance Expected</th>
<th>Actual</th>
<th>Comments</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Reduction Ratio</td>
<td>15%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Coil Weight</td>
<td>10%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>Thickness Variation</td>
<td>10%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>Packing</td>
<td>5%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>Other (please specify)</td>
<td>5%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>Delivery</td>
<td>Lead Time</td>
<td>15%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Adherence to Delivery Schedule</td>
<td>15%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Information on Order Status</td>
<td>10%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
<td>0.4</td>
</tr>
<tr>
<td>Service</td>
<td>Performance of Cross Functional Team</td>
<td>15%</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>Low Availability</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100%</td>
<td>4</td>
<td>92.50%</td>
<td>3.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please use the comments column to highlight given examples of any points that you consider necessary.

Grand Total

Over-all CSI Score for Customer (Average Out of 4) 92.50%

Exhibit 3: MOU Benefits at ABC — A Typical Illustration

<table>
<thead>
<tr>
<th>Turnover discount</th>
<th>Incentive (₹/Tonne)</th>
<th>Consistency incentive</th>
<th>Purchase quantity in a month (Tonne)</th>
<th>Interest free credit (No. of days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase quantity in a financial year (Tonne)</td>
<td></td>
<td>Criteria</td>
<td>Incentive (₹/Tonne)</td>
<td>250–500</td>
</tr>
<tr>
<td>3000–4000</td>
<td>50</td>
<td>5% of yearly committed quantity in each month</td>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td>&gt;6000–12000</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;12000–24000</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;24000–36000</td>
<td>175</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;36000–48000</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;48000–60000</td>
<td>225</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;60000</td>
<td>250</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional benefits

₹ 25/Tonne for customers who committed < 30000 Tonne purchase in two consecutive years
₹ 50/Tonne for customers who committed > 30000 Tonne purchase in two consecutive years
REFERENCES


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Guidelines for Case Writing

Cases are descriptions of representative, real-life, management situations, that may (a) include problems, solutions attempted, results and conclusions (research cases) or (b) conclude with a decision-point or dilemma faced by the organization or some of its members. We prefer to receive management cases that are primarily based on information directly collected by the writer from the organization. Please note that the case writer must have obtained all necessary clearances from the organization before the case is submitted to Vikalpa. A statement to this effect must be made by the case writer in the covering letter accompanying the submission. Cases based solely on secondary data that is publicly available are less preferred. A statement to the effect that the case is based on the cited secondary sources must appear in a footnote on the first page of the case. Particular attention must be paid to adequate and appropriate citing of sources and to following the norms of correct academic writing. The review of secondary data-based cases will pay particular attention to the citation procedures followed by the writer. A case submitted to Vikalpa must be well-researched and documented and must present a faithful view of the organization’s problems/actions/decisions. The quality of cases will be evaluated on the basis of the following:

- Identification of significant problems/situations/issues/processes
- Adequacy and quality of information and data
- Realism and effectiveness (narrative cases without any analytical content are not encouraged)
- Completeness, complexity, and focus
- Illustration of ideas, concepts, processes, etc.
- Citation of secondary sources
- Organization, readability, and style of presentation

A Management Case submitted to Vikalpa must be accompanied by a Teaching Note. Though there is no consensus on what constitutes an ‘ideal’ length for a case, effective cases are usually concise and easy to read. We request our contributors to judge whether the length of the case is ‘just right’ and to keep in mind an upper limit of 3,000 words of text, excluding any exhibits or appendices. The same guidelines may be used for the Teaching Note.
Case Analysis I

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Suppliers operating in business markets have little choice but to become customer relationship-oriented. Large number of books, articles, and research studies explain why quality relationship with major customers is essential for suppliers like ABC or XYZ to attain success. While it sounds as if every firm ought to have the need to build long-term customer relationships, the key question that largely remains unanswered even today is what makes or enables a quality customer-supplier relationship? Towards this important void, this case primarily answers two interlinked questions: What has relationship quality got to do with good management? And, from customers’ point of view, what are the criteria of an effective account management process?

Both the questions are enormous in scope. One might say that a good management is one that is able to motivate its people to perform for the organization. Others may say that a good management is one that is able to ensure favourable results through strategy, structure, processes, and people. Whatever may be the view, it requires organizational abilities to succeed. It also seems rational on theoretical grounds that a company which has stronger organizational capability should produce stronger relationships with customers. However, this hypothesis is yet to be proved. The efforts to come to common agreement on what contributes to good management and how it impacts customer-supplier relationship are highly desirable.

Success of any such customer management process is ultimately determined by the customers. Having enough options, customers are not bothered about the design and implementation of the account management processes but are concerned about the satisfaction of their needs. For a quality relationship, both the customer and the supplier should be equally willing and invested. But opinion differs substantially between customers, their locations, uses, and segments. Such heterogeneity gives rise to

1 Relationship that is high in mutual trust, satisfaction, and commitment.