Module 5: Managing Relationships

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Account Management

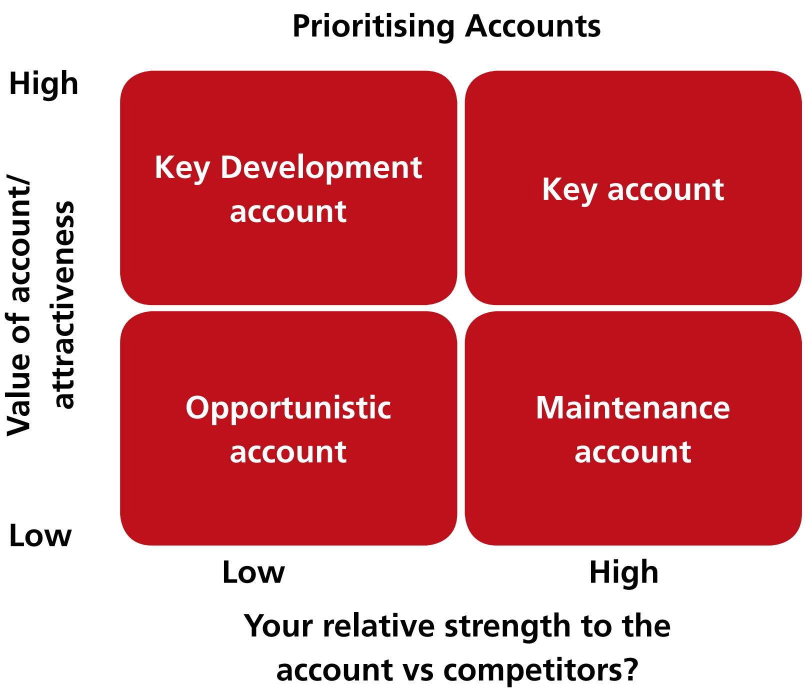
Account management means having a regular process for reviewing, maintaining and building your ongoing relationship with your key customers i.e. your most important trade accounts.

Key accounts

We generally talk about 'key account management' which is how you manage your most important accounts. While your key accounts are the ones which offer you the best return on your investment in terms of time and resource, it is unlikely that all of your accounts will be key (unless you only have one or two).

As your business grows it is logical that you should spend most time and effort on those accounts which are key to your future growth and profitability. You cannot, and should not, devote as much time to managing small, relatively unprofitable customers as the larger ones. You therefore need a structured process to identify and manage those key accounts.

The first step is to identify who are you key accounts and which ones you want to develop further. You can use a matrix to help you prioritise each of your accounts. The matrix records the current importance that account on the 'x' axis and the potential value of that account to you on the 'y' axis, as per the diagram below. Clearly your key accounts are those which are particularly important to you and where you have good potential as you are in a strong position relative to your competition.



Managing the relationship

Once you have identified your key accounts you need to focus on building and managing the relationship. With a large organisation such as the multiple retailers, or large foodservice providers, you (and your team) will need to manage a team of people in these accounts. Buyers will often come and go, so you need to focus on more than one individual. It is important to identify the different people who look after the different key functions within your key customers. Of course, depending on what market you supply (retail or foodservice), and whether you supply a branded product or own label, the type of functions you deal with and the relationships you have with them will vary considerably.

If you are a manufacturer supplying branded goods to a multiple retailer, the following are the key functions and contacts:

Function/Department	Role
Buying	Buyer/Buying Manager
Stock Control	Buying Assistant/Stock Control Manager/Planning Manager
Customer Marketing (Merchandising)	Marketing Manager
Online Marketing Team	Online Manager
Senior Management (Commercial)	Category Manager/Category Director, Commercial Director, Chief Executive

If you are a manufacturer supplying an Own Label brand for a multiple retailer, the following are the key functions and contacts:

Function/Department	Role
Buying	Buyer/Buying Manager
Stock Control	Buying Assistant/Stock Control Manager/Planning Manager
Technical	Technical Manager
New Product Development	NPD Manager
Customer Marketing (Merchandising)	Marketing Manager
Online Marketing Team	Online Manager (Category specific)
Senior Management (Commercial)	Category Manager/Category Director, Commercial Director, Chief Executive
Senior Management (Technical)	Technical Director
Senior Management (NPD)	Head of New Product Development

If you are a manufacturer supplying Branded goods to a Foodservice Provider, the following are the key functions and contacts:

Function/Department	Role
Buying	Buyer
National Accounts	National Accounts Manager/Regional Accounts Manager
Telesales	Telesales Managers
Marketing	Marketing Manager

If you are a manufacturer supplying Own Label goods to a Foodservice Provider, the following are the key functions and contacts:

Function/Department	Role
Buying	Buyer
Marketing	Marketing Manager
New Product Development	Development Chefs
National Accounts	National Accounts Manager/Regional Accounts Manager
Telesales	Telesales Managers

Lastly, if you are a manufacturer supplying Branded goods to a Wholesaler or a Speciality retailer, generally speaking the buyers are likely to be the only points of contact.

Regardless of which market you supply (retail/foodservice/wholesale), to help you manage the relationship bear in mind some general points:

- Plan everything that you can, what are the objectives of any meetings, what are you aiming to achieve from the relationship, etc. If you think through issues beforehand you are more likely to achieve what you want.
- Assemble facts and data to support your arguments.
- Invest the time planning for and spending time with your account contacts.
- Communication is key, even if it just keeps you in the mind of the buyer, spread good news e.g. awards won.
- Aim to understand the buyer's objectives and targets and provide solutions not problems.
- Remember that you don't have to say yes all the time, whatever you agree must benefit your organisation.

What does the customer expect from you?

- Service levels – deliver what you promised.
  – 100% on time should be your target.
- Administration – understand the customer's processes and systems (eg. invoicing) and fit in with them.
- Invoicing – get it "right 1st time".
- Store/restaurant visits – the customer will expect this as it demonstrates that you care. Feedback issues to the buyer regularly and accurately.

What Makes a Great Account Manager?

A checklist of 20 things that make a great account manager (most applicable to retail and foodservice):

1. Respond to Buyer's requests by deadline.
2. Complete all admin accurately by deadline.
3. Don't have any invoice queries.
4. 100% availability.

5. Use retailers' sales data and other KPIs such as waste, availability, margin. Not all retailers provide this data (typically only Tesco/Asda/Sainsburys).
6. Know range review timetable.
7. Know promotional and key input timetable.
8. Have an Account Plan, or a Joint Business Plan – know the buyer's kpis.
9. Communicate regularly – no surprises, and always seek to add value with your communication.
10. Understand key competitor activity.
11. Understand their corporate trading philosophy.
12. Understand retailer's store estate/foodservice outlet types.
13. Know retailer's merchandising disciplines (e.g. regional overlays).
14. Know customers' customers e.g. (who shops in their shops, eats in their restaurants, who does the wholesaler supply etc).
15. Know own label strategy (e.g. good, better, best), relevant for wholesalers as well as retailers.
16. Regular store/restaurant visits, especially new store and restaurants openings.
17. Ability to negotiate and resolve commercials.
18. Relationship building.
19. Networking throughout the account.
20. Positive, pro-active and can-do attitude.

Key Account Meetings

A fundamental element of the relationship with key accounts is the face to face meeting – it's imperative that you get this right.

Securing a meeting

Securing a meeting with a buyer, be this is in multiple retail, speciality retail, foodservice or with a wholesaler/distributor can be difficult. Buyers are increasingly time pressured and therefore they will only agree to meetings when they believe that your company may have something of interest to them. Don't request meetings unless you have something to discuss – don't waste their time. While account managers for large suppliers manufacturing own label products tend to have more regular access to buyers (because they produce the retailer's brand for the buyer), smaller suppliers may only get one or two meetings a year and therefore have to make the most of them.

The first hurdle that you have to overcome is to secure a meeting in the first place. This is obviously much more difficult if you are not an existing supplier. You need to give the buyer enough reason (without sending through your whole sales pitch) to meet with you. You should do your homework on the company so that you can identify a hook which is based around some need you have identified that they are likely to have. This will link directly to your offering, for example – having visited their store/restaurant you noticed that they didn't have any dairy free ice-cream, demand for this in the current year is up 10% and you supply just this sort of product. A useful avenue to get that critical

1st meeting with buyers is to utilise Meet the Buyer events whether supported by public sector, or whether offered by retailers/foodservice providers alike. In 2014, Bidvest 3663 offered potential new suppliers an opportunity to exhibit their products directly to their customers, while in 2014/15, Welsh Government provided Meet the Buyer opportunities for suppliers to present to up to 15 major retailers, foodservice providers and speciality retailers.

Preparing for Buyer Meetings

You need to make the most of any meeting with a buyer by planning carefully. Always set down clearly what are your objectives of the meeting and consider what the objectives of the other party are likely to be so you can pre-empt their questions.

What Type of Meeting

How you prepare and the information you need to present to a buyer will be dictated by the type of meeting you are having. Where you are looking for a new listing, your focus will be on gaining credibility for your company and your product as you won't have any track record with the buying organisation. However, where you are trading with the buyer already your meeting will be focused on reviewing existing sales, discussing promotional plans for the coming six months and potentially increasing the number of products listed, therefore the type of information and preparation required will differ.

Basic preparation

Make sure you think about all the logistics of your meeting:

- Plan your journey, make sure you allow extra time.
- Agree the agenda with the buyer in advance – be clear from the outset what the objective of the meeting is.
- Agree length of the meeting – focus on the key points at the beginning in case it is cut short.
- Agree in advance whether the buyer will want to taste samples on the day – you may need to book kitchen facilities if they are available. Build in time to visit their store/restaurant/café etc. so that you are clear on their image, current range, price points, competitors etc. It is also worth visiting their competitors to see how they differ. Buyers will expect you to have done your homework.
- Confirm what if any technology will be available (projector, laptop, which version of windows or powerpoint), or bring your own.
- Prepare and practice your presentation – make sure it fits with the time allowed for the meeting.
- Dress smartly.
- It is useful if two people can attend from your company. It means one can present or talk and the other can take notes.

Presentation

Your presentation is key – it is your one opportunity to sell your company and product to the buyer. It is vital that you prepare it carefully in advance and practice it a number of times. Ask different people to watch it and give you honest feedback. Be aware of your skills and limitations – if there is someone else in your company who is a more natural presenter, consider using them. A typical presentation will have 10 to 15 slides, don't try to cram too much information onto each slide (the slides are the hooks, you should add the detail verbally, and you can always leave a handout with more detail at the end). Don't try to be too complex or "flashy", simple and clear is generally best.

The key to a successful presentation is being clear about what you and the audience want to get out of the meeting and ensuring that is where your presentation focuses.

New listing – presentation

Assuming you have defined your objectives, a typical presentation to a potential new client would include:

Background to Your Company

- Length of trading.
- Turnover and growth rate.
- Factory Accreditation.
- Product Range – what is their unique selling point, also include shelf life.
- Awards Won.
- Existing Customers.

Market Trends

- What is happening in your category (e.g. growth in indulgence, free from, lower fat, sharing bags).
- How your products are on trend (fit in with these trends).

The Opportunity

- Demonstrate that you have done your homework and have identified a gap in their range which you can fill.

Your Proposal

- Which products.
- Case Size.
- Price per Case.
- Recommended Retail Price (RRP) where relevant. Including an RRP will allow you and the buyer to estimate the margin the buyer will make. Note that some buyers will not discuss RRP to ensure they do not contravene the rules on price fixing and they won't ask about prices your competitors are charging.
- If possible an estimated 'size of the prize' – this can be based on evidence from other outlets.
- Launch Support – PR/Tastings/Introductory Price Offer/Telesales RaRa Day (spot prizes for hitting targets) etc, are sometimes needed to show a willingness to work with them to drive sales.

Discussion points

The buyers may well want to discuss the following:

- Rates of sales in competitors – here you should be willing to share indicative rates of sale so that they can have confidence in your products. Be careful not to breach any confidentiality clauses in existing contracts, however it is appropriate to discuss average rate of sale across a range of customers.
- Which are your best-selling lines? A new client is unlikely to list all ten of your products, so if they ask which two they should have, be prepared with an answer.
- Distribution – this is a key area that will be different depending on whether or not you are supplying multiple retailers, speciality retailers or foodservice. Foodservice and speciality retailers may be similar, in that they may want you to supply through a distributor/wholesaler such as Hider Foods/Cotswold Fayre in speciality retailing or Brakes/3663 in foodservice. The multiple retailers will generally expect you to supply into one of their RDC's (regional distribution centres).
- Minimum Order Drops – if you are supplying into an RDC then it will be pallets. If sales are direct to store/café the deliveries will be smaller so average distribution costs will be higher.
- Payment Terms – as a potential new supplier, the buyer will seek the best possible payment terms for his business. Ensure you are aware of the typical terms that this customer demands – speaking to other suppliers is often the best way to get this information. When clear on the buyer's likely payment terms, plan your negotiation in advance to deliver the terms that are best for your business, and that are acceptable to your buyer.

Next Steps

- Outline what you feel are the next steps, this could be to send in further samples, to come back with a revised commercial proposal, or hopefully to agree a launch date!

Existing client presentation

A typical presentation to an existing client would include:

Trading History

- Length of time with account.
- Number of products.
- Performance to date:
  - If the meeting is with a retailer who has a system that allows you track your products performances be sure to use data from there e.g. Tesco Link, Asda Retail Link, Sainsbury's Horizons;
  - Know your KPIs (key performance indicators), the customer will be tracking them so ensure you are aware of them too. Pre-empt any questions on them. List of likely KPI's are at the end of this module.

Address any Issues

- Beware of any problems and come with solutions e.g. if wastage is high, have some proposals to potentially resolve this issue by reducing case size – don't wait for the buyer to point things out to you.

Proposals Going Forward

- Promotional Plan.
- NPD/Product substitution.
- Increased store distribution.
- Justify new product listings.

Following the meeting

It is vital that you follow up the meeting with an email to the buyer within a day or so. This email should outline all the agreed next actions, by whom and when, as it will act as a written record of your discussion.

Negotiation

There is a fundamental difference between selling and negotiation:

- selling is a process to identify the fit between what the seller is offering and what the buyer is seeking;
- negotiation is the process of agreeing the terms of the deal and is part of the selling continuum.

An alternative way of looking at it is that selling is the process of deciding whether or not we will do business. Negotiation about how we will do business, i.e. on what terms and conditions will the sale go ahead?

Be aware that during the sales process you are setting out elements of your position that you will rely on when negotiation starts. For instance, if you back down at every stage of the sales stage, you create the sense that you'll carry on doing the same during the later negotiation stage.

When you move onto the negotiation stage you don't need to persuade any more, you need to control, explore and trade components of the deal to create value for both sides.

The importance of negotiation

It is important to recognise that negotiating is a skill – buyers at major organisations will have been trained in negotiation. To maximise the benefit of any deal to your organisation you need to be aware of the techniques of negotiation and to hone your own skills in this area. You may consider investing in a course on negotiation skills for your staff or yourself. Welsh Government provides a Commercial Skills Programme on an annual basis which provides training on Negotiation, visit www.foodanddrinkwales.co.uk for details.

Planning

As with all processes, the more preparation you do, the more likely you are to succeed. You should consider:

- The importance of the account to you, both now and in the future.
- Your objectives, what do you want to get out of the negotiation including your "must have" and "would like to have" elements.
- What concessions you can afford to give, make sure you have thoroughly thought about the financial impact of these in advance.

- What is your baseline or walk away point (ie at what point is the price or concessions being demanded mean it is not worth you doing the deal).

Negotiation etiquette

The mechanics of the meeting are similar to any well run meeting and include:

- Being clear about who is attending from each side, their names, roles and if possible their motivations.
- Set a clear time and location to meet. It may give you a little more power if it is your site. Don't be late.
- Ideally, bring a colleague to listen, take notes and pick up on non-verbal communication so you are clear to concentrate on your negotiation.
- Set a clear agenda, circulate it and bring printed copies. Ask the other side if there is anything else they want to add; this could indicate what is important to them.
- Do not have an any-other-business (A.O.B.) item. Elements for the agenda should be agreed in advance so you can prepare for them.

Negotiation tactics

The following techniques can help you negotiate effectively:

- Start positively – try to project confidence from the shaking hands in the reception area.
- Be clear about the timing of the meeting, how long it is likely to last and keep track of it.
- Be aware of non verbal communication (ie body language), both your own and theirs. It can deliver unintended messages.
- Be careful of your language, be precise, and don't just fill empty space with words. Be careful that your phrases aren't sending out the wrong message e.g.:
  - My opening offer is (implies you have a better offer to come)
  - I was looking for (but will accept something lower)
  - I would have liked (but don't expect to get)
- If you understand people's motivations, for instance what they are measured on, you can construct your proposition to ensure it can deliver this, e.g. if a buyer's bonus is based on achieving cost savings, then stress these in your pitch.
- Make sure you ask for something in return for you concession, don't give anything away for free.
- You may not get what you ask for, but 'if you don't ask, you don't get!'. Also, asking may reduce the other party's eagerness to ask for more.
- Always start by stating what you want them to do, rather than what you are willing to do eg. 'If you increase my store distribution, I will reduce my price by x' the danger of saying it in reverse is that they will only hear 'I will reduce my price'.
- Successful negotiation is where both parties are satisfied at the end, if this is not the case, the dissatisfied party may seek to undermine what has been agreed.

- Even if you are thrilled with the outcome, don't make this obvious! The other side may attempt to renegotiate or win back concessions in the next negotiation.
  - Do not be afraid to say No – it is within your rights. You need to protect your business.
  - Always confirm the terms agreed before leaving the meeting – read back your notes so that there are no misunderstandings.
  - Always confirm in writing what was agreed as soon after as you can.

Glossary of KPI's Terms

Service Levels: The percentage of orders that a supplier has delivered to depot that have arrived on time and in full. Foodservice operators have a similar measure: **Order Fill Rate**.

% Wastage: The value of products that have either been damaged, gone out of date or sold at a discount as a percentage of total sales.

Sales Units/Value: A supplier's value or volume of products that have been sold by the retailer (not to the retailer).

Weekly Value Rate Of Sale: Value sales of the supplier's product per store, per week (Sometimes weighted to full store distribution so that products in low and high distribution can be compared).

Weekly Volume Rate Of Sale: Unit sales of the supplier's product per store per week (Sometimes weighted to full store distribution so that products in low and high distribution can be compared).

Margin: The margin (Profit on return) a buyer has made on a supplier's product sales in store. The buyer normally has a required level of margin they are required to achieve on products in their category – e.g. in multiple retailing, this can range from 20%-50% depending on the retailer and the category.

Availability: % of stores selling a supplier's product at any one time.

Frequency of purchase: How frequently a consumer purchases your product over a specified period of time.

% Penetration: % of customers shopping the fixture or category that are buying your product.

% of sales on promotion: % of a supplier's product value sales which occur during promotional periods.

Average Price: The price which is typically paid for your product taken into account promotional pricing and any stock sold at a reduced price as it is close to its expiry date.

Category Share: A supplier's product or brand % of total category value or volume sales.

% Loyalty: Amount of spend a consumer spends on a supplier's product as a proportion of the total category.

% spend from Solus customers: Proportion of total spend on a Supplier's product within the category from customers purchasing only the supplier's product and nothing else.

Repeat Rate: Proportion of unit sales contributed by repeat purchasers of the supplier's product total unit sales.

Category Management

Definition

A category is the term used for a group of products which sit together in the store, bringing together either products of the same type, such as "Ready Meals" or with the same usage, such as "Food to Go". Category management, in simple terms, refers to the way a buyer manages their "category" to maximise sales and profit.

The customer is at the heart of category management, as the range must provide the customer with the products they are looking for at the right price and be on the shelf when they want to buy them. In such a competitive environment as supermarket retailing, the retailers must meet the needs of their customers better than their competitors or else risk losing sales. Category management therefore requires an in-depth understanding of the customer and their shopping habits. This is achieved through in-depth consumer shopping behavior analysis, analyzing market data to identify trends and sales performance.

A key feature of Category Management is the partnership approach between the retailer and their suppliers. A large company, such as Greencore (in Own Label sandwiches) or Nestle (in branded confectionery) is usually nominated as the "category partner" or "category captain" to work closely with the retailer's buying team to develop and implement range plans.

However, there is an onus on all suppliers (no matter how small they may be in comparison to the category captain) to provide category insights to the customer. This does not mean suppliers have to spend large amounts of money on expensive data to provide these insights – customers generally take into account the scale of the supplier and its ability to invest in insight when assessing its contribution towards category management. See section later on "Key Tips for Smaller Producers In Relation to Category Management".

Benefits of category management to suppliers and retailers

Category management should benefit consumers, retailers and suppliers in the following ways:

Consumers

Category is focused around the needs of the shopper
Consumer expectations will be identified and meet
Solutions will be tailored to shoppers' preferences
Availability should be consistent

Retailers

Increase in Sales
Space is optimized to drive key category objectives
Drive inventory efficiencies
Profits will increase through strategic focus and planning
Customer Loyalty will increase

Suppliers

Increase in Sales and Profits
Build Relationships with Retailers
Develop real category insight and understanding
Help brand building
Inputs into internal strategic business planning

What are the Steps Involved in Category Management

ECR Europe Organisation has outlined 9 steps which are involved in category management (Efficient Consumer Response Movement began in the mid-nineties and was characterized by the emergence of new principles of collaborative management along the supply chain. It was understood that companies can serve consumers better, faster and at less cost by working together with trading partners. There are currently 23 National ECR Initiatives or organizations within Europe with different activity plans, business models and governance. These initiatives gather over 1,800 leading companies as well as SMEs operating at national level, thus representing a critical mass within the consumer goods industry, to learn more visit www.ecr-all.org/about-ecr-europe/).

The nine steps are as follows:

1. Readiness for Category Management

Ensure that you have all the necessary systems and data sources in place, this applies to both retailers and suppliers (category captain).

2. Category Definition and Segmentation

The first step involves detailed consumer research – this will involve a wide range of the market research techniques mentioned in the research section in **Module 3**, including focus groups, accompanied shops, etc. This research is required so that the supplier and the retailer can agree what products should be included in the category and how they are segmented. All segmentation should be based around consumer needs, expectations and shopping behaviour.

3. Category Role

Understanding what role the category plays in the bigger picture and how it is expected to help achieve targets.

4. Category Assessment

This stage will involve detailed sales data analysis down to sku level and will also involve understanding one retailer's performance in the category vs their core competitors. An output of steps 2 and 4 should be the identification of gaps and opportunities for growth, at a category, segment, brand and pack level.

5. Category Performance Measures

What are the agreed objectives for the category, which links to step 3.

6. Category Strategies

A strategy will be agreed between the retailer and the supplier to deliver the set objectives – the strategy will encompass the range, space allocation, pricing, and promotions.

7. Category Tactics

These are the specific actions required to deliver the strategy, each tactic will need to have a clear objective and how it will be measured.

8. Implementation Plan

This stage is the signing off process, agreeing timeframes and ownership of actions.

9. Category Review

Ongoing monitoring and reviewing of the category performance to ensure that it is inline with the agreed objectives, and if not amend the plan where required.

How does category management affect smaller suppliers?

Category Management as stated previously is a collaborative approach between retailers and suppliers. The reality is that retailers only work with one or two suppliers in each category (category captains). Undertaking a detailed category review is both time consuming and costly (data and consumer insights work and technology required to deliver the category plan), therefore it is not realistic for small or even medium sized companies to get involved in category management at this level. However, the principle of putting the consumer at the heart of the category is one which all suppliers, irrespective of size should embrace.

In order to secure business with major retail customers, it is essential that all suppliers understand what is currently in the retailer's range and how their products fit into it – unless your product offers a point of difference from existing products, listings will be impossible to achieve. You need to be able to articulate what consumer need your product is meeting and why you believe there is a gap in the retailer's range.

Key Tips for Smaller Producers In Relation to Category Management

The main point is to make sure you think about the consumer and the shopper (not always the same person) of your product and the wider category. Keep questioning what they are buying and why. Make sure that you know that your product(s) will result in at least one if not more of the following, should a retailer list you:

- More shoppers will shop the category (new users).
- Existing shoppers will buy more frequently.
- Shoppers will buy more from the category.
- Shoppers will spend more money on products in the category.

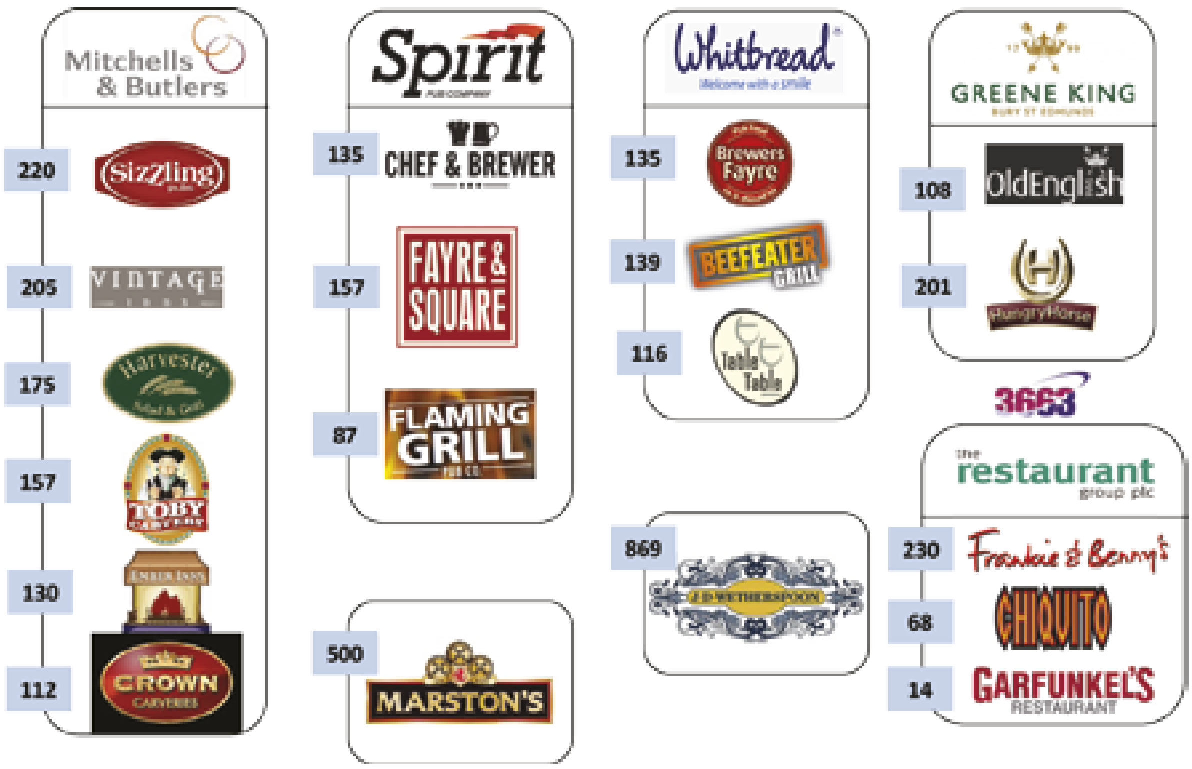
The retailer will not issue their category plan, and smaller suppliers will generally have to "second guess" what the buyer is looking for by looking at the retailer's web-site and looking at the products already available in store. For example, if there is a high level of cut-price promotion in-store, it is likely that the retailers' customers are very price focussed and will be looking for lower priced everyday lines. It is important that you spend time in stores, watching and auditing your category. Make sure you visit different store formats to see how the retailer's range varies by store type.

It is very difficult for smaller suppliers to influence the category plan, unless they are specialists within a sector of the category – for example a specialist organic cheese producer may be invited to participate in the category management process, taking responsibility for the organic element of the range.

In order to take part in the category management process, access to market and consumer data is essential – this can be expensive and thus usually excludes small suppliers but it might well be worth the investment if it enables you to justify new product listings and strengthens your relationship with the buyer.

Can Category Management work in Foodservice?

On the face of it, Category Management has not been embraced in Foodservice to the same extent as in Retail. However, look more closely and it is clear that the Foodservice Sector, and in particular the Commercial Sector, is increasingly developing brands to meet different consumer needs.



Suppliers who supply the Commercial Sector in Foodservice will already be applying Category Management principles in their approach to winning, maintaining and developing their business with some of the above UK Foodservice Providers.

For example, to be a supplier to Mitchell & Butlers (M&B) requires the supplier to carefully develop a product and tailor an offer towards the needs of a certain brand within the M&B portfolio – due to the different customers that M&B target with each of their brands, a "one size fits all" approach to business development will almost certainly not secure new business. Rather, the supplier who understands M&B's strategy, their brands, the consumers for those brands, and develops their offer accordingly is putting the customer at the heart of their thinking.