The Missing Keys in Key Account Management: Three Questions That Can Transform Your Sales Force

Bill Coyle and Jude Konzelmann
Key account management (KAM) carries greater urgency for pharmaceutical companies than ever before. The pace of health system and physician practice mergers has quickened, shrinking the number of independent physicians and creating a host of new customers with different stakeholders and needs than individual doctors.

But KAM is by no means new, and many pharma executives wonder about the efficacy of their key account teams, not just the efficacy of their products.

In the following article, we propose three fundamental questions that can help pharma companies reexamine the state of their KAM programs—and restructure and reenergize them to improve performance.
Large, complex key accounts like hospitals and health systems have become a permanent part of pharmaceutical and biotechnology companies’ customer bases, representing billions of dollars in revenue. In response, key account management (KAM) has become a permanent part of many pharmaceutical company’s sales models.

So why aren’t key accounts performing like key accounts?

The pharma industry is well aware of declining rep access to physicians and stakeholders,\(^1\) and that the traditional one-to-one rep-physician sales model is often ineffective with key accounts. KAM is designed to help pharma and biotech companies navigate such physician networks and hospital chains, labyrinthine organizations with several levels of management and clinicians involved in decision making.\(^2\)

Most pharma and medical device companies already have key account managers calling on their largest (and often most lucrative) accounts, but usually these arrangements remain transactional, an extension of the traditional rep-physician sales model in which success is measured by prescriptions. However, these are not the kind of mutually beneficial partnerships that KAM is designed to create.

Conversely, pharmaceutical and biotech companies that treat customers as partners more than buyers can bring the appropriate resources to bear to meet large customers’ needs while creating value for all parties.

---

2. See Navigating the Minefield: Implementing Key Account Management in Pharmaceuticals, ZS Associates, March 2010; or Five Challenges to Building a Successful Key Account Management Team, ZS Associates, February 2013.
The ever-increasing need for KAM

Even though the idea of key accounts is not new, the pace of consolidation and change has accelerated—there were 98 hospital and health system mergers in 2013, compared with 65 in 2010. This has made for fewer but even larger key accounts.

In addition, the number of independent clinicians is dropping. One estimate posits 53% of U.S. physicians were full or part owners of a practice; another projects that only 36% of physicians were “independent” last year, compared with 50% in 2004.

Consolidation has, in many cases, turned traditional pharmaceutical sales models upside down, and made the decision-making process even more complicated: Not only is the individual physician one of many decision makers, but he or she may even have a vested financial interest in the institution. That’s not to mention the increased power of financial executives and pharmacy and therapeutics (P&T) committees on drug-buying decisions.

So as the need for KAM keeps rising, so does the need to approach key accounts with the proper mentality: Not only does KAM require hiring key account managers and team members, but often a rewiring of the company’s central and peripheral nervous systems.

3. Analysis: Number of Hospital Mergers Increased in 2013, Dallas-Fort Worth Healthcare Daily, April 14, 2014.
KAM is about creating value for the company and the customer, and pharma companies need to understand the aspirations of their large customers and help them meet their goals.

Three fundamental questions

In our work on many KAM projects, we’ve seen that asking three fundamental questions can help pharma and biotech companies assess the state of their key account management program, and take steps toward making their KAM programs permanent—and permanently relevant.

1. What kind of value are we trying to create?

KAM is about creating value for the company and the customer, and pharma companies need to understand the aspirations of their large customers and help them meet their goals. For instance, a hospital’s main goal might be to attract more patients, improve patient outcomes, cut costs and improve efficiency, or build an expertise in a particular therapeutic area, such as cardiology.

Having a good product portfolio helps, but most important is that the pharmaceutical or biotech company delivers “value beyond the pill.” It needs to deliver services alongside products—and it needs to do so in ways that benefit both the key account and the company.

The medtech sector provides a good example: Becton, Dickinson and Co. (BD) used a multiplatform approach to look at ways to reduce the number of hospital-acquired infections among customers of its syringes. BD worked with multiple key accounts, in the form of 16 U.S. hospital systems, to identify and reduce the rate of infections. The company used workshops and Web-based systems to convene stakeholders (including those working the supply chain, in occupational health and infection control, and the CFO) and mapped interactions related to the seemingly straightforward use of syringes.

The exercises revealed where employees used the wrong devices—for example, 26 of one system’s acute-care facilities occasionally used injection devices that lacked safety features—and where safety training was unclear.

Acting on those insights yielded better results for customers. At the same time, BD built metrics to measure quality and deepened relationships with stakeholders at these key accounts. It has been able to establish cross-hospital communities and, according to press reports, has secured a reputation as a leader on hospital safety.

7. Ibid
8. Ibid
2. Is our organization KAM-ready?

A major caveat in establishing key account management is that KAM is not a role but a business initiative. Pharma companies’ sales, marketing, analytics and budgets are often organized along brand lines, with resources devoted to individual products. KAM represents a departure from that approach, as sales resources are organized around customers, not brands.

KAM requires augmenting a brand orientation with a customer-focused portfolio—one that prioritizes finding solutions to make the customer successful. Companies must prepare their functions to determine a key account’s current and potential interactions with the customer company and how those interactions can have mutual benefits (see Figure 1).

This often requires a change in mindset, company mission, organization structure, job functions and skills, and IT systems. Budgets cannot be organized around brands; accounting must shift to a customer perspective. And the investment approach must be expansive: Seeing the cumulative cost of their KAM sales teams, some companies may think they have already invested amply in the effort.

---

**Figure 1.** Key account management is not a role but business initiative—meaning one size does not fit all.
However, considering the amount of business some key accounts will generate, we have seen pharmaceutical and biotech companies often underinvest in KAM—at times, woefully so.

Any given account can generate millions of dollars in business. Consider two large cancer treatment networks: Texas Oncology (375 physicians and 150 sites of service) or Florida Cancer Specialists (more than 80 locations, 170 physicians and 60,000 new patients annually). Accounts of this magnitude can easily represent more than $50 million in annual drug sales, yet we’ve seen companies underinvest in the teams dedicated to these accounts.

Note that investing in KAM does not simply comprise the salaries of key account managers: It involves time, money and focus that encompass not just a handful of salespeople and their immediate team but the company overall.

3. Can we equip our KAMs for success?

KAMs need to know the value their key accounts want to create. The pharma company should align its efforts around key accounts, and not the individual brands that comprise part of the offering to those key accounts.

But they need more than alignment. KAM teams need to understand key customers and their needs.

Gathering information and metrics about the customer is essential; seemingly simple tools like interview guides can help teams to know customers. Account-oriented analytics and reports can help synthesize findings. Putting clinical data at their fingertips can help them inform and guide the customer. Keep the channels of communication open—KAM needs and opportunities will evolve and new tools will be required.

KAM teams’ job is to identify sources of value for the company and the customer, and help deliver that value. They need to be equipped to do so.

KAM in 2014 and beyond

We realize that addressing the issues raised by the three questions above isn’t easy. Institutionalizing KAM means undertaking an ongoing exploration of value, making multiple investments to realize that specific value and adjusting to meet the varying needs of complex customers. There is no silver bullet.

But institutionalizing KAM will also position the company to reap the benefits of delivering cross-brand value to customers who represent a vast source of business. Taking these often difficult steps to improve KAM programs isn’t just recommended, but as we see it, will be absolutely necessary for pharmaceutical and biotech companies to thrive.

About the Authors

Bill Coyle, a ZS Principal based in Princeton N.J., has worked in numerous areas of sales and marketing in the pharma and biotech industries. His expertise areas include sales operations and analytics, commercial organization design and optimization, and market access and pricing/managed care.

Jude Konzelmann is a Principal in ZS’s New York office and oversees the firm’s New York office and its Sales Force Design practice. He has worked with pharmaceutical clients in sales organization design, analytics, and sales and marketing operations. Jude’s experience includes segmentation, promotion response modeling, and promotion measurement.
About ZS Associates

ZS Associates is a global leader in sales and marketing consulting, outsourcing, technology and software. For more than 30 years, ZS has helped companies across a range of industries get the most out of their sales and marketing organizations. From 21 offices around the world, ZS experts use analytics and deep expertise to help companies make smart decisions quickly and cost effectively. ZS comprises multiple affiliated legal entities.