Different Forms of Key Account Management

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Abstract

Statements related to key account management and trade marketing used to be quite clear and simple. The concepts of key account management and trade marketing were introduced in the Fast Moving Consumer Goods (FMCG) sector during the 1970's in USA and during the 1980's in Europe (Randall, 1994). The majority of ideas and tools were, at that point of time, developed and refined in other business-to-business sectors such as the computer hardware and software industry (Langdon, 1995).

The decreasing number of retailers and their growth in size and market share has lead to recognition among suppliers of the need for individual handling of these customers. Thus, many suppliers face the 80/20 axiom (Barret, 1986) - 80 % of the turnover comes from 20 % of the customers, some a 50/5 axiom (Miller & Heimann, 1991), and some even a 90/10 axiom. The consulting company AC Nielsen published a survey in 1993, indicating that if the turnover of the top 10 retailers in any of the European markets were added they accounted for more than 50 % of the total turnover in the FMCG-sector.

Retailers' growing application of marketing positioning strategies have made many suppliers recognize that the traditional marketing decision variables, often referred to as

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the 4 P's – price, product, promotion, and place (McCarthy, 1960) are no longer solely controlled by the supplier. The control is often shared with the retailer or is managed solely by the retailer.

For example, the retailer will decide the price towards end-user - although the supplier may suggest one. The retailer will decide the product - in terms of assortment - although the supplier may have preferences in terms. The retailer further decides timing and content of promotion activities - the supplier may have suggestions, preferences, and might even pay for them. Finally, the retailer will decide where to place the product and in which category context – although the supplier may have preferences.

As a consequence of the increased focus on position strategies among retailers, their acceptance of suppliers' national brand campaigns has been decreasing. The rejection of campaigns is particularly related to suppliers retail store activities (also referred to as in-store activities). The reason being that a generic activity can not support a retailer's positioning strategy and may thus compromise the retailer's positioning strategy. To handle the adaptation of the supplier's in-store marketing activities to the retailer's individual needs, FMCG-suppliers have introduced trade marketing.

A number of different approaches to key account management and trade marketing have been developed by various researchers and implemented by different suppliers. Furthermore, the existing literature concerned with key account management and trade marketing is limited (Davies, 1995). Having examined the existing literature, there does not seem to be a common definition of the two concepts.

Although key accounts are the basic element of key account management, they are given different labels and there is not a common list of criteria to identify key accounts. Thus, this type of customers is identified as international accounts (Langdon, 1995), key customers (Lawrence, 1983), large accounts (Lawrence, 1983), large customers (Moore, 1994), national accounts (Bjerre, 1995), special accounts (Randall, 1995), and so forth.

The overall result of these different levels is, therefore that the term key account management carries a number of labels with varying contents. Typically, existing definitions claim to be "the" definition, applicable to all situations and to all types of business. However, my initial studies of practical cases and my own experience in the field showed considerable differences between what different suppliers considered to be key account management.

To sum up, the major issues of interest in relation to key account management are that:

- Existing literature represents one-sided definitions, as key account management is defined from the supplier's point of view.

- Existing definitions do not discriminate between different types of key account management – therefore little common ground is found.
- Existing literature focus on inter-organizational structures, not on intra-organizational structures, thus internal organizational adaptations or requirements are not identified.

Existing Desriptions

It is important to note that the conceptual development of key account management can not be characterized as an evolutionary process, in which the contributions represent accumulated knowledge. During the study of existing literature it has been evident, that very few contributions contain references to previous contributions. This introduction to key account management has been divided into three elements:

- What is a key account
- Supplier – key account relations
- What is a key account manager

What is a Key Account

Although key accounts are the basic element in key account management, they are given different labels. Some call these customers for key customers, large accounts, large customers, national accounts, special accounts etc. (Barett, 1986, Corstjens & Corstjens, 1995; Lawrence, 1983; Moriarty and Shapiro, 1980, 1981, 1984; Randall, 1994; Rottenburger-Murtha, 1992; Stevenson, 1980, 1981).

Key accounts are customers recognized by the supplier as the most important customers. The importance may stem from a number of different characteristics, among which Lawrence (1983, p. 35) points to the following:

> ". a key account is a not just a large customer with many branches and a wide geographical coverage. ... But the important thing is that they are all coordinated into one "account", which pays the bills, combines the buying power, and conducts the negotiation".

Barett (1986) also points to size as important and mentions that this can be measured in terms of sales volume.

According to Bjerre (1995) a key account is not just characterized by size and/or sales volume, but adds:

- Having a centralized decision making process, and/or
- Possessing future potential, and/or
- Good image - seen from a supplier's point of view

In other words, certain criteria has to be fulfilled if the customer is to be regarded as a key account - and these criteria's are defined by the supplier. Thus, these customers are offered special attention, as pointed out by Stevenson (1981, p. 119):

> "… when very large and/or important customers are afforded special treatment and special status."

Rottenberger-Murtha (1992) takes this further by adding that the demands of the key account is important (p. 40):

> "… certain major accounts that have unique demands and expectations requiring similar specific solutions and special attention."

As the dyadic perspective has been used as a platform for analyzing key account management, it has become quite apparent, that existing literature concerned with key account management neglects the strategies and interests of the key account completely.

Thus, existing literature on key account management appears to be dominated by sales oriented "supplier perspective" in which suppliers need to make adjustments according to individual customers, if these customers fulfill certain criteria, such as the one mentioned above. This perspective can historically be linked to the understanding of the FMCG-sector as a sector focusing on the distribution of goods to end-users.

Although key accounts are recognized as important customers it is often difficult to describe their value to the supplier. Lawrence (1983, p. 36) states the importance of key accounts to the supplier should be compared to the importance of brands to a supplier of branded goods:

> "The immediate consequence is that each major account assumes an importance to the supplier, in terms of contribution to total sales volume and to profit, probably equal to or even greater than any one of his product lines. Obviously the large account therefore merits the same degree of planning, nurturing and monitoring as any product - in other words the same degree of marketing attention."

This statement marks an important change within most sales and marketing organizations, as strategies, planning, and monitoring traditionally have been a marketing domain. Developing strategies, plans and monitoring individual key accounts will

therefore imply that marketing techniques are implemented in relation to the management of key accounts. Miller and Heiman (1991, p. 4) presents importance as:

> ". if you consider it important, it's by definition a Key Account".

The documentation of the supplier's knowledge about the single key account often labeled customer information, will typically contain elements such as:

- Customer profile, i.e., customer characteristics
- Customer strategy, i.e., customer positioning
- Customer budget, i.e., trading terms
- Customer contracts, i.e., documentation of yearly negotiation

The customer profile is an important part of key account information systems that according to Bjerre (1995, p. 128) covers the majority of the following elements: the customer's organization, in terms of chain(s), volume, ownership, management structure, functional and personal relations, geographical coverage, overall strategy, interest in supplier-customer alignment, target segments, historical performance, and future plans.

The sources to the information recorded in a key account profile may be the key account manager, members of the key account's organization and/or members of the supplier's organization handling various tasks. The knowledge of the key account typically grows as the alignment becomes closer and as the cooperation develops over time. The key account profile is often used as a tool to record knowledge about the specific key account and typically used as a planning base when the key account manager sets the future targets in relation to the key account.

Based on the key account profile a SWOT-analysis (or similar type of analysis) is often completed in order to take the competitors of the customer into account. This type of analysis may give the supplier an indication of the customer's future performance and future challenges, thus providing the key account manager with an opportunity to develop strategies, plans, and initiatives that may improve the customer's performance and profitability.

The customer specific strategies, plans, and activities are then budgeted in a yearly customer budget, which also contains the customer specific trading terms. Customer specific trading terms are increasingly based on open and general elements that in principle are open to all customers, and are based on the notion of "something-for-something", i.e. that specific rebates or allowances to the customer reflect actual performances by the customer vis-à-vis the supplier.

Miller and Heiman (1991) further introduces key accounts as "external assets", and makes the point, that they should be managed as all other important assets, such as the supplier's brands

Supplier – Customer Relations

Treating key accounts as assets could indicate that suppliers regard key accounts as something that "belongs" to a supplier - they do not, the fact is that it may be exactly the opposite. The implications of this are that the supplier can not control the key account and that the key account can not and should not be managed. Thus the supplier does not manage the key accounts as distribution channels to the end-user, but may be able to manage the supplier-customer alignment and the relation with key accounts. This may prove to be quite difficult as retail customers pursue different strategies, including some of non-integration with suppliers. This does not exclude the possibility of the supplier managing the relationship and the alignment between the supplier and the customer, but gives restraints to these. Organizational relations between a supplier and a customer - described in 5 levels of alignment, ranging from "spectator" to "partner" (Kurzrock, 1996, p. 121). The five levels are presented below. Their inclination to the supplier to develop a specialized transaction structure is commented in relation to each alignment level.

Spectator - there is no sales relationship with the customer. The customer deals with the competitors, does not see a need for the suppliers products and services, or the supplier chooses not to work with the customer. This level of alignment does not incline the supplier to develop a specialized transaction structure.

Vendor - the supplier is on relatively equal terms as competitors are, supplying products and services to the customer. This level of alignment may incline the supplier to develop a specialized transaction structure.

Preferred Provider - one supplier has been chosen by the customer and has the largest share (or total share) of the customers business. The supplier advises the customer on products and services. This level of alignment does incline the supplier to develop a specialized transaction structure.

Business Consultant - the supplier helps the customer manage part of the business. The supplier consults the customer to meet the customer's long-term business goals. This level of alignment does incline the supplier to develop a specialized transaction structure.

Partner (Ally) - the supplier manage the customers business in the suppliers area of expertise providing bottom line value that cannot be provided without the supplier. The supplier is considered an integrated part of the customer's organization. The supplier

provides completely integrated systems to run the operation, and the product mix is often composed of the suppliers products and services as well as the competitors products and services. This level of alignment does incline the supplier to develop a specialized transaction structure.

It is important to note that only four of the five steps actually identify a relation between the supplier and customer. Hence just four levels are of interest in relation to key account management. Kurzrock (1996) notes that there are three indicators related to the five steps of alignment, namely the relationship (as described above), the access to different levels in the customers organization, and the resources invested by the supplier. This is presented in the figure below.

Figure 1: Characteristics of the Five Levels of Alignment

Key indicators / Alignment Level	**Tasks handled for the customer**	**Access to customer**	**Resources provided**
Spectator	Providing neither products nor services	Limited, usually to gatekeepers	Few or none
Vendor	Providing products and/or services	Limited, usually to lower levels, and to gatekeepers	Product is most important resource - value-added services often provided
Preferred Provider	Providing products and/or services	To low and middle levels	Products and value-added services
Business Consultant	Providing consulting to help customer meet business goals	To all or most levels	Products, value-added services, and consulting beyond products
Partner/Ally	Managing a function of customer's business: often contractual	To all or most levels	Sharing and managing resources from both organizations

Source: Kurzrock, 1996, p. 122.

Moore (1994) provides an extensive definition of key account management focusing on the elements of the relation:

> "... the managerial role in relation to objectives, strategies, standards, monitoring, the coordinating role in relation to distribution department, financial department, sales, consumer marketing, trade research, trade promotion, customer buying, customer stock control, customer merchandising, customer distribution department, customer finance department, the informative role internally and externally and finally as responsible for customer negotiations."

It is difficult to identify elements and responsibilities in relation to a key account, which are not covered by this definition. Thus Moore appears to view key account management as a total concept, implying that the key account manager is totally responsible for all aspects relating to the key account. Implementing a concept like this would be a radical change for many FMCG-suppliers.

McDonald (1998, p.3) points to the reluctance among retailers to enter mutual exclusive relations with suppliers and explains this by the notion that retailers possess a powerful position in the supply chain as owners of the interface with end-users.

Regarding key accounts as assets has been carried even further by Moore (1994) who introduced the concept of "account equity" which would be structured along the principles of brand equity. This has not been taken further.

Key Account Manager

The titles used in relation to key account management may to some extent reflect the differences in managerial focus and asset specificity. However differences in titles typically reflect the way in which the supplier perceives its customers, the key account manager's charge, the key account manager's geographical responsibility, the number of key accounts, and other responsibilities. Thus the key account manager's title are often a combination of the elements listed below:

- Subject - Account, Business, Client, Client Business, Customer, Customer Business, Key Account. Large Account
- Charge - Director, Manager, Senior
- Geographical area - International, National, Regional
- Responsible for one or more key accounts
- Other responsibilities, such as staff responsibility

The key account managers personal attributes has been discussed by several authors - and there has been a tendency towards making lists containing every positive trait and none negative.

Davies (1993, pp. 196-197) lists the attributes identified by himself and Thomas[2], and adds that differences among various authors may be determined by their different views on key account management:

- Capable of building long-term relationships
- Intellectual, usually graduate level
- A business strategist, numerate and financially literate
- Good presentation and inter-personal skills
- Good at building personal relationships
- Service orientated
- Understands retailing as a business
- Understands the motivation of retail buyers
- Able to coordinate the activities of the manufacturer to suit the retailer's needs
- Creative and resilient
- Able to influence senior management in both manufacturer and retailer

It should be noted that developing a finite list of personal attributes for a key account manager is possible, but it would not provide new insight. However dividing the list in accordance with the four types of key account management could give indications of important differences.

The level of authority is often mentioned as a key element in understanding key account management – and retailers often complain, that the key account managers do not possess sufficient authority internally, i.e. they do not have the full responsibility of the key account. Furthermore the level of authority is typically not discussed in detail, as the individual author basically does not operate with more than one type/form of key account management. Recruiting and training of key account managers also differ widely among firms - some firms have developed minutely detailed career-path systems to reach the position as key account manager, whereas other firms recruit externally when the need arises.

New Definitions

Based on the earlier presentation of key account management the definitions used throughout this article will be:

[2] Thomas, H. (1989), Grand Nationals, Marketing, June 1, p. 29.

- A key account is a customer that the supplier handles as a market *per se*, and has decided to invest in, in the same way as the supplier invests in other markets
- The criteria for identifying key accounts are equal to the criteria used to identify other markets.
- Key Account Management is the integration of business processes from supplier to end-user aiming at adding value to the supplier's customer.
- As there are four different alignment levels, four different levels of key account management exist
- The key account manager is the person handling the supplier's investment and integration of business processes towards a key account.

Asset specificity

Asset specificity has become a central concept with transaction cost economy and is the most important factor when explaining differences in transaction costs, thus: "- that the principal factor that is responsible for transaction cost difference among transactions is variations in asset specificity." (Riordan and Williamson, 1985, p. 367). This factor was introduced by Williamson (1979), and is later referred to as the principal factor (Williamson, 1981), and is introduced in a mathematical model (Riordan and Williamson, 1985).

Investments in specific assets are often related to a transaction. This could be a transaction in which a manufacturer produces private label products to Carrefour. The manufacturer has invested in a special machine to produce these private label products and Carrefour has invested in a storage facility for the private label products. These investments can be characterized by the degree and type of asset specificity, as the asset specificity refers to the degree of which an asset has a lower value for alternative use or alternative users (Williamson, 1991, p. 281).

Degree of Asset Specificity

Using the example of the hubcap manufacturer, it could - somewhat simplified - be presented as a choice between an investment in general applicable technology or an investment in a specialized technology, i.e. a very asset specific investment. The first investment will represent the standardized technology available everywhere in the market. The machine can without costs be switched to producing other private label products and with some difficulty even be switched to producing other items. The manufacturer can with the standardized technology reprogram the production at any time without value-loss. Should the demand from Carrefour diminish, it would be possible to

find other customers and reprogram the production accordingly. The manufacturer will thus have no long-term relation or dependency to Carrefour, that on the other hand also without significant costs can find another manufacturer of the private label products. This situation is in broad terms equal to the conditions in the neo-classical analysis for competitive markets where neither party are linked to each other.

The specialized technology can only be used for producing a specific private label product to Carrefour. It is efficient and produces the best products imaginable. On the other hand it can only with great difficulty be reprogrammed to produce other items. The specialized technology is thus specific to the transaction and will therefore have far less value to the manufacturer if it should be used for other purposes.

Transaction specific assets are thus characterized by that their value is closely linked to the specific transaction. The output value is therefore expected to be larger using a transaction specific technology compared to other transactions - ceteris paribus - using standardized technology, i.e. non-specific technology. Opposed to this the value of the transaction specific asset will be considerably lower in alternative use, i.e. a reprogramming to other purposes will result in a large value-loss.

The implication is that the parties are closely bounded to each other if the investment is transaction specific. This can be compared to Porter's concept of switching costs; however Porter (1980) based the concept on a power and relation oriented perspective to study the implications and possibilities for the individual firm, whereas Williamson is focusing on the comparative analysis and the structural implications. Porter uses the concept as a way for the manufacturer to tighten relations to customers without necessarily providing the customer with any advantages. The customers should therefore seek to avoid switching costs as they limit their opportunities and gives the manufacturer a better negotiating position. Williamson sees transaction specific assets as mutually beneficial and mentions the gradual development of trust as a result of frequent transactions within this form of mutual binding (Williamson, 1979).

The manufacturer runs a risk by investing in the transaction specific technology, as a breach with the customer may be very costly. The manufacturer therefore has an interest in a continuous collaboration until the investment in the technology is fully depreciated. This dependency is partly mutual, as the customer cannot in the short-term change supplier without loosing the advantage of the transaction specific technology. Although the relation is advantageous to both parties it does not mean that the power is evenly distributed among them, as the investor often carries the greater part of the risk. Never the less, relations do emerge and they do emerge as the parties assure themselves through safeguards.

The degree of asset specificity thus describes to what degree an asset is specific. If the specificity is regarded as a continuum, then the two extreme ends will be one where asset

are non-specific and the other where assets are totally-specific - idiosyncratic, while the assets in between are compounded specific.

Non-specific assets do not loose value in alternative use or to alternative users. This will often characterize standardized assets such as a standard vehicle, a standard computer, a standard pallet etc.

Idiosyncratic assets have no value in alternative use or to alternative users. This will often characterize the time invested by a specific employee in understanding a customers logistic system, the marketing system etc., the investment in specific advertising campaigns related to a customer event etc. Idiosyncratic assets are often found in exclusive dealerships, franchise systems, etc.

In between these two extremes are compounded specific assets. These assets do represent some value in alternative use or to alternative users. The value they represent is just lower that it would have been in their original use or to the original users. For example, the value of a retailer's cross-docking distribution terminal would be low if used as a storage facility by a manufacturer, but would be high to another retailer needing a distribution terminal in the area.

Type of Asset Specificity

Asset specificity is not merely a technological concept as it is not just the production assets that are transaction specific, this could also be employees, patents, processes, planning systems, etc. Williamson has gradually developed the concept of asset specificity and added new types of asset specificity. Originally Williamson made a distinction between three types (Williamson, 1981, p. 555):

- Location specificity
- Physical specificity
- Human specificity

Then later three more have added (Williamson, 1985, p. 55; Williamson, 1989, p. 143; Williamson, 1991, p. 28):

- Dedicated assets
- Brand specificity
- Temporal specificity

Williamson (1989, p. 143) underlines the fact that types of asset specificity is not an exhaustive list and that there might be other types that should be considered. The

following chapter presents the resource-based perspective to introduce a parallel concept to assets, namely resources.

Location Specificity

The degree of location specificity depends on the mobility of the asset, i.e. the more costly it is to dismantle and to move an asset, the more location specific the asset is. Location specificity is especially important in relation to placing two elements of a chain close to one another in order to reduce storage and transportation costs (Williamson, 1985, p. 95). A classical example is to place the assembly line in a car production as a natural continuation of the body production of the cars (Klein, 1988). Another classic example is the dock at a shipyard.

Physical Specificity

Physical specificity is related to the physical characteristics beyond the mobility limitations. A physical specificity could be a special machine used to produce special components to interior decorations of a specific retailer. The machine can only be used to produce this special component and has no alternative use. Only the specific retailer has a demand for the component, i.e. the machine does not have alternative users.

Human Specificity

Human specificity arises for instance in relation to investments in specialized training and in relation to the effect of "learning-by-doing" (Williamson, 1979, p. 240). An example could be the time an employee spends understanding the specific demands from a customer in relation to a product, a service, or a process. Human specificity is closely related to the concept of the learning curve.

Dedicated Assets

Dedicated assets are related to investments in other assets than the existing ones that cannot be described within the types mentioned above. An example could the manufacturer investing in a storage facility on request from a major customer and in relation to this invests in loading trucks

Brand Specificity

Brand specificity are resources invested in a brand linked to a specific product, a specific product group, or a specific customer segment, i.e. investments in brands that will only have limited value in alternative use (Williamson, 1989, p. 14). An example could be a licensee brewing Carlsberg beer in Sweden and the licensee's investment in marketing the Carlsberg brand in Sweden.

Temporal Specificity
Temporal specificity is a type of specificity related to incidents in which it is of importance that certain assets and capabilities are present at a specific place and at a specific time (Masten, Meehan & Snyder, 1991, p. 9). Temporal specificity is not necessarily part of other types of specificity but can be so. An example could be the re-launch of Pepsi Cola as "The Big Blue" in 1996. The critical element was a new design on the label on the bottles that were introduced all over Europe simultaneously via TV commercials, launch of consumer and retailer competitions, presenting the new design to retailers and consumers etc. The production of new labels was not an issues in itself, but the timing of combining the new label with the existing production plans were quite critical in order to have the new label presented in the stores at the same time consumers were presented to the new design. Temporal specificity thus implies that the timing of a product can be very important.

Ex ante and ex post limitations

According to Peteraf (1993) competitive advantages are based on resources that must fulfill the following four conditions:

- Resource heterogeneity - resulting in Ricardian or monopoly rents
- Ex post limits to competition - necessary to sustain the rents
- Imperfect resource mobility - ensures that rents are bound to the firm and shared by it
- Ex ante limits to competition - prevent costs from offsetting the rents

Resource Heterogeneity

Resource heterogeneity is according to Barney (1991), an important element in understanding the resource- based perspective (p. 105):

> "A basic assumption of resource-based work is that the resource bundles and capabilities underlying production are heterogeneous across firms."

Peteraf (1993, p. 180) adds that:

> "One might describe productive factors in use as having intrinsically differential levels of "efficiency". Some are superior to others, Firms endowed with such resources are able to produce more economically and/or better satisfy customers wants. Heterogeneity implies that firms of

> varying capabilities are able to compete in the marketplace, and, at least, break-even. Firms with marginal resources can only expect to break-even. Firms with superior resources will earn rents."

The concept of "rents" is introduced, as earnings in excess of break-even are called rents, rather than profits, if their existence does not induce new competition.

Ricardian Rents

Heterogeneity in an industry may reflect the presence of superior productive factors that are limited in supply. They may be fixed factors that cannot be expanded. More often however, they are quasi-fixed, in the sense that they are insufficient to satisfy demand for their services. Thus inferior resources are brought into use as well. Peteraf (1993, p. 181) states that:

> "What is the *key* is that the superior resources remain limited in supply. Thus, efficient firms can sustain this type of competitive advantage only if their resources cannot be expanded freely or imitated by other firms."

The ricardian model is often thought of with respect to resources that are strictly fixed in supply. But it may as well be applied quasi-fixed resources, which are of much greater importance. These resources, while limited in the short run, may be renewed and expanded incrementally within the firm that utilizes them. Utilization of such resources may in fact augment them.

Monopoly Rents

Peteraf (1993, p. 182) defines the difference between Ricardian rents and monopoly rents as follows:

> "What distinguishes monopoly profits from Ricardian rents is that monopoly profits results from a deliberate restriction of output rather than an inherent scarcity of resource supply."

In monopoly models, heterogeneity may result from a spatial competition or product differentiation (Schmalensee, 1978). It may reflect uniqueness and localized monopoly. It may be due to the presence of intra-industry mobility barriers that differentiate groups of firms from one another (Caves and Porter, 1977). It may entail size advantages and irreversible commitments of other first mover advantages (Ghemawat, 1986; Lieberman and Montgomery, 1988). All these models share an important supposition, that firms in favorable positions face downward sloping demand curves. These firms then maximize

profits by consciously restricting their output relative to competitive levels in the marketplace. These are models of market power. Unlike ricardian models many of the elements mentioned above are based on that firms make strategic decisions, taking the behavior and relative position of their rivals into account.

Apparently homogeneous firms may also earn monopoly rents. Cournot[3] behavior exhibited by identical rivals, for example, may yield prices in 3excess of marginal costs. So may collusive behavior, tacit or not. But these kinds of behavior are facilitated by small numbers and are therefore dependent on barriers to entry. Asymmetries must exist between incumbent firms and potential entrants. In this case, the heterogeneity occurs across these two groups of firms.

Ex Post Limits to Competition

Regardless of the nature of rents, sustained competitive advantage requires that the condition of heterogeneity can be preserved. If the heterogeneity is a short-lived phenomenon rents will likewise be difficult to maintain. Since strategies are primarily concerned with longer periods of time, the condition of heterogeneity must be durable to ensure that value continuously is added. This implies that there are ex post limitations to competition. Thus subsequent to a firm's acquisition of a superior position and earning rents, there must be forces that limit competition for those rents. Competition may dissipate rents by increasing the supply of scarce resources, or it might undermine a monopolist's attempt to restrict output.

Resource-based research has, according to Peteraf (1993) focused on two critical factors (Barney, 1991; Conner and Prahalad, 1996; Dierickx and Cool, 1989) that limit ex post competition:

- Imperfect imitability
- Imperfect substitutability

Rumelt (1984) introduced the term "isolating mechanisms" to describe phenomena that protect individual firms from imitation and preserve their flow of rents. These include property rights to scarce resources and various quasi-rights in the form of time lags, information asymmetries, and frictions, which impede imitative competition (Rumelt, 1987). Of particular interest is the notion of casual ambiguity (Lippmann and Rumelt, 1982) as it refers to the uncertainty related to the causes of efficiency differences between firms. Causal ambiguity prevents would-be-imitators from knowing exactly what to imitate or how to go about it. Coupled with non-recoverable costs (sunk costs), such

[3] Cournot behavior is defined as two duopolists acting autonomously – as if changes in their own parameter of action would not provoke any changes in the parameter mix of their rival (Brems, 1951).

uncertainty may limit imitative activity and thus preserving the condition of heterogeneity (Peteraf, 1993).

Other isolating mechanisms include producer learning, buyer switching costs, reputation, buyer search costs, channel crowding, and economies of scale when specialized assets are required (Rumelt, 1987). According to Rumelt (1987) isolating mechanisms can be regarded as a analogy concepts to Caves' and Porter's (1977) concept of mobility barriers[4]. However, mobility barriers serve to isolate groups of similar firms in a heterogeneous industry, while entry barriers isolate participants from potential entrants (Peteraf, 1993).

Yao (1988) has identified a set of factors more basic than the list of entry barriers suggested by Porter (1980). He contends that failures of the competitive market are due to more fundamentally to production economies and sunk costs, transaction costs, and imperfect information. Ghemawat (1986) has developed a different categorization that is primarily firm oriented. He argues that non-imitable positions can be derived from size advantages, preferred access to resources or customers, and/or restrictions on competitors' options.

Imperfect Resource Mobility

Peteraf (1993, p. 183) has defined immobility:

> "Resources are perfectly immobile if they cannot be traded."

Dierickx and Cool (1989) discuss several examples of resources that are not perfectly immobile, for example if the property rights are not well defined or with "bookkeeping feasibility".

Perfectly immobile resources can also be described as idiosyncratic assets, as have no other use outside the firm (Williamson, 1979). Thus resources can be described in the terms of transaction cost theory as asset specificity.

Other resources may be described as imperfectly mobile. These are resources are trade-able but more valuable within the firm that currently employs them than they would be alternatively employed. Resources are imperfectly mobile when they are somewhat specialized to firm-specific needs.

Lippmann and Montgomery (1988) and Wernerfelt (1984) use the concept of switching costs to discuss how firm-specific investments may strengthen the trading relationship between a firm and the owners of the factors employed by the firm. These investments by

[4] Developed as an extension of the original work by Bain (1956).

the resource owners may be regarded as sunk costs and may inhibit the factor's exit from the firm. These costs give the firm a greater claim on the resource in question.

Co-specialized assets may represent another example (Teece, 1986). These are assets which must be used on conjunction with one another or which have higher economic value when employed together. To the extent that they have no other equivalent uses (they are transaction specific) and to the extent that, at least one of the assets is firm specific, their mobility is limited.

Other resources may be imperfectly mobile simply because the transaction costs associated with their transfer are exceedingly high (Williamson, 1975; Rumelt, 1987).

As immobile or imperfectly mobile resources are non-trade-able or less valuable to other users, they cannot readily be bid away from their current employment. They remain bound to the firm and are available for long periods of time. Thus, they can be source of sustained advantage. However, such assets may cause reduced responsiveness and flexibility as the mere possession of them provides the possessor with expectations of superiority. Specialization is a two-edged sword.

Ex Ante Limits to Competition

One last condition must be met if a firm is to have competitive advantage (Peteraf, 1993, p. 185):

"There must be ex ante limits to competition as well."

Thus, prior to establishing a firm's superior resource position the position must be one of limited competition. An illustration of this is if one firm in a specific FMCG-category could occupy certain resources (could be primary shelf-space locations) in all stores belonging to a retail chain and thereby gain a non-imitable resource position over their rivals. The FMCG-supplier Unilever has for example delivered freezers to some retail chains and thereby limiting competition from other suppliers of ice-cream products.

A superior resource position could be a source of above normal returns if some firm had the foresight or good fortune to acquire it in absence of competition. This point is mentioned by Barney (1986) as he argues that the economic performance of firms depend not only on the returns from their strategies but also on the cost of implementing those strategies. Without imperfection in strategic factor markets, in which the resources necessary for implementation of the strategies are acquired, firms can only hope for normal returns. Rumelt (1987) makes a similar point in noting that unless there is a difference between the ex post value of a venture and the ex ante cost of acquiring the

necessary resources, the entrepreneurial rents are zero. Thus, profits come from ex ante uncertainty.

A Typology based on Asset Specificity - Ex Ante and Ex Post

Three different basic types of key account management will support the three different governance structures (Williamson, 1975):

- One that supports the market
- One that supports the hybrid
- One that supports the hierarchy

The largest governance structure[5] – the hybrid can be divided into two

- The passive (ex post adaptation)
- The pro-active (ex ante adaptation)

Thus, there are four different types of key account management that can be compared to the four supplier-retailer alignment levels:

- Contact key account management
- Passive coordination key account management
- Pro-active coordination key account management
- Integration key account management

Asset specificity in itself can be broken down into the degree of specificity and a number of type of specificity. Thus key account management is described in relation to the degree and the type of specificity. Furthermore the combination between transaction cost theory and the resource-based perspective is quite strong in this area, as argued earlier and provides an opportunity to elaborate on the elements as they are presented in transaction cost theory. The degree of asset specificity can be described as a continuum between the two extremes: non-specific and idiosyncratic. The non-specific asset is generally applicable as opposed to the idiosyncratic asset that is so specialized, that it has no alternative use. The types of specificity are:

- Financial
- Physical
- Technological
- Organizational
- Brand
- Temporal

[5] See Williamson (1979).

Degree of Asset Specificity

The resource-based perspective can apart from being described in itself, exemplify the degree of asset specificity by supplementing the following indicators; resource heterogeneity, and resource mobility

Heterogeneity violates the precondition, that all resources are homogeneous and mobility breaks the precondition, that all resources have an unlimited mobility. Thus is it possible to describe the specificity continuum from non-specific to idiosyncratic in terms of heterogeneity and mobility.

Heterogeneity also deals with the aspect of dedication of assets over time, i.e. that assets become heterogeneous over time, but need not be so initially. Thus the degree of heterogeneity is related to the question of whether or not it is a result of a managerial decision or whether it is "something which happened accidental".

The mobility specificity is related to the alternative use of the asset towards other key accounts, and will be high when customers are treated equally and low when customers are treated individually. Thus the degree of mobility is related to the question of whether or not it is a result of a managerial decision or whether it is "something which happened accidental".

Dedication specificity is closely tied to the managerial decisions related to the importance of the key account(s) and to the elements of asset specificity, that are described in the following sub-sections. As the three characteristics are combined with the four types of key account management, figure 2 appears.

Figure 2: Principles of Degree of Asset Specificity and the Four types of Key Account Management

Type / Key indicators	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Degree of Asset Specificity	Low	Medium	Medium	High
Heterogeneity	None	"Some - accidental"	"Some - Planned"	Total
Mobility	Total	"Some - accidental"	"Some - Planned"	None
Dedication	None	"Some - accidental"	"Some - Planned"	Total

However, as it is not possible to identify the degree of asset specificity directly, since the concept is a compilation of the seven elements of asset specificity – financial, physical, technological, organizational, brand, and temporal it is necessary develop specific indicators for these seven elements. The indicators of these seven elements can then be used to identify the type of key account management that will therefore be the result of a "weighted score".

Heterogeneity and mobility of asset specificity relates to the actual situation and to the development over time. Therefore no heterogeneity refers to the situation in which no investments have been made in key account management and resources in key account management have an unlimited mobility.

Some heterogeneity may either be a result of a managerial decision or a result of external demands. The distinction between "accidental" and "planned" is based on whether or not initiatives have been taken by the supplier's management in relation to key account management over time. Such initiatives may include development of standard systems that may be applied individually per key account, development of formalized training programs for key account managers, formalizing organizational changes etc. These decisions also involve the mobility of key account managers among key accounts, changing the key account manager's role from being a standard job-position to becoming a highly specialized manager focusing on the key account.

Thus, total heterogeneity may be supported by individual training programs etc. Furthermore it implies a managerial decision that the key account manager can only be applied to the specific key account.

The titles used in relation to key account management may to some extent reflect the differences in managerial focus and asset specificity. However differences in titles typically reflect the way in which the supplier perceives its customers, the key account manager's charge, the key account manager's geographical responsibility, the number of key accounts, and other responsibilities.

Recruiting and training of key account managers also differ widely among firms - some firms have developed minutely detailed career-path systems to reach the position as key account manager, whereas other firms recruit externally when the need arises. The compilation of these elements on the degree of asset specificity is illustrated in figure 3.

Figure 3: Degree of Asset Specificity and the Four Types of Key Account Management

Type / Key Indicators	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Degree of Asset Specificity	Key accounts are treated equally	Differentiation driven by key account	Differentiation driven by key account manager	Idiosyn-cratic
Hetero-geneity	Any key account manager will do	"Some - accidental" Operation and development according to demands	"Some - Planned" Operation and development according to plans	Idiosyn-cratic, based on strategy
Mobility	Total - Re-sources can be changed without notice	"Limited - accidental" Can be handled with a short introduction	Very limited - requires training related to the KA	None
Dedication	None	Geographically - based on standard systems	To one key account - based on individualized standard systems	Based on the key account's structure

Financial Asset Specificity

Financial asset specificity is concerned with the funds available in the specific supplier-customer alignment. Generally funds are available to support and/or develop relations with customers and the typical rule of thumb is, the larger the customer, the larger are the funds available.

Funds can be divided into internal funds and external funds – internal as it will be seen from the supplier-customer dyad, and external as it will be seen from the supplier-customer dyad.

Funds available internally will typically be documented in budgets related to the individual key account, and the funds often emerge as a result the budgeting procedure. Budgeting targets and ensuring how goals are reached and ensuring the keeping within

strategies. Thus internal funds will reflect the planning process related to key accounts and the key account management type.

Budgeting processes may reflect the supplier-customer alignment level, as no alignment does not give the supplier the opportunity to make plans or budgets based on qualified insights, but is forced to use general trends and market insights. The opposite situation will provide the supplier with customer specific insight, regarding strategies, tactical plans including timing and specific activities. Furthermore this situation will also provide the supplier with knowledge of the division of tasks between the supplier and the customer, thus giving the supplier an opportunity to foresee internal investments and changes in operational costs. Figure 4 reflects the content of these elements.

External funds are funds provided by external parties, which only happens if the dyadic relationship is involved in some externally financed project, such as the development of sector solutions, sector analysis models etc. As such they are rare and do not reflect the key account management type.

Figure 4: Financial Asset Specificity and the Four Types of Key Account Management

Type / Key indicator	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Internal Funds	Not specified	Specified per customer group/channel	Specified per per account	Specified per account and project(s)
Budgeting Process	Based on supplier's overall strategies and plans	Based on supplier's sales and marketing strategies and plans	Developed with key account, based on supplier's strategies and plans	Developed with key account, based on jointly defined strategies and plans

Documenting the key account's profitability and customers profitability can prove to be important sources of funding - in the long run. Therefore applying financial models or calculating own and key account's profitability may prove worthwhile. Systems to support these calculations are described in the sub-section "Technological Asset Specificity".

Another important part of financial asset specificity is that the tasks involved in the budgeting process may change as the alignment changes. Thus it may be expected that the costs and profits gained from a closer supplier-customer alignment level will stem from other parts of the organizational interface than sales and marketing. Financial effects may be expected to develop within the areas of logistics, distribution, and customer service.

Physical Asset Specificity

Physical asset specificity can also be characterized as a tangible element. The tangible elements of key account management can be divided into four parts:

- Key account documentation/systems
- Trade marketing documentation/systems
- The key account manager
- The trade marketer

A number of the tangible elements are also discussed in relation to the sub-section on "Technological Asset Specificity" – as they represent two different situations, one as management tool and one as the technological solution to the managerial needs.

Key Account Documentation/Systems
The first tangible and physical element of asset specificity in key account management is the key account documentation/systems.

The sources to the information recorded in a key account profile may be the key account manager, members of the key account's organization and/or members of the supplier's organization handling various tasks. The knowledge of the key account typically grows as the alignment becomes closer and as the cooperation develops over time.

Based on the key account profile a SWOT-analysis is often completed in order to take the competitors of the customer into account. This type of analysis may give the supplier an indication of the customer's future performance and future challenges, thus providing the key account manager with an opportunity to develop strategies, plans, and initiatives that may improve the customer's performance and profitability.

The customer specific strategies, plans, and activities are then budgeted in a yearly customer budget, which also contains the customer specific trading terms. Customer specific trading terms are increasingly based on open and general elements that in principle are open to all customers

Figure 5: Key Account Documentation/Systems and the Four Types of Key Account Management

Type / Key indicator	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Customer Profile Elements	Based on internal needs	Based on internal needs	Based on joint planning needs	Based on joint planning needs
Information Sources	Key account manager	Key account manager and buying function	Key account manager, key account team and buying & marketing. functions of key account	Key account manager, key account team and relevant functions within key account's organization

Quite often the key account documentation/systems are supplemented by reporting systems focusing on monitoring the key account's performance – as perceived by the supplier. Such systems can be used to monitor whether the developments are in accordance with the strategies and plans or whether corrective action needs to be taken. However such systems are typically developed in accordance with internal managerial needs and are rarely influenced by the supplier-customer alignment.

Key Account Manager

The second tangible element of physical asset specificity is primarily human as suggested in the resource-based perspective and is used to specify elements beyond the mobility aspect of asset specificity - such as exploring potential alternative use of the asset. Thus this aspect of key account management is concerned with the key account manager and the degree to which this resource is dedicated to specific key accounts.

Dedication to specific key account(s) can also be related to the discussion of the degree of asset specificity. The definitions related to key account management referred earlier in this chapter vary from no dedication at all to complete dedication (idiosyncratic). Dedication changes in the four types of key account management from very limited dedication at all, as all key accounts are treated equal to total dedication, as all key account managers are treated as idiosyncratic assets. This last type may even lead to key account involvement when the key account manager is recruited. The responsibilities

within the function as key account manager may vary considerably in the four types of key account management.

The first level of supplier-customer alignment is characterized by handling all contacts between the supplier and the customer.

The second level of supplier-customer alignment is characterized by coordination, however it is the customer that initiates the coordination, as the key account manager also has to deal with other functions, such as handling staff responsibility, more than one key account.

The third level of supplier-customer alignment is also characterized by handling coordination, but here it is a result of the supplier's initiative, as the key account manager is focused on the function as key account manager, although the function may be handled in relation to more than one key account. The responsibility also deals with the alignment of other functions within the supplier and the customer.

The fourth level of supplier-customer alignment is characterized by integration as the key account manager is responsible for one key account, has no other responsibilities and focuses on the alignment's efficiency and profitability. The responsibility also deals with the alignment of other functions within the supplier and the customer.

The level of authority changes in accordance with the different types of key account management. It cannot be expected that a key account manager in the first level of supplier-customer alignment will posses a high level of authority as no single key account is perceived to be more important than others. At the fourth level of supplier-customer alignment the key account manager is responsible for a key account perceived to be important, implying that the key account manager possesses a high level of authority.

Recruiting key account managers is often seen as either a long internal development process or as a recruitment of employees to handle the tasks of a key account manager. The difference may reveal differences in the type of key account management discussed, as it may be possible to recruit a key account manager externally to handle the contact supplier-customer alignment, whereas it may prove very difficult to recruit a key account manager externally to handle the integrator supplier-customer alignment. This third tangible element can be acquired as pointed out above, but it may conflict with the reputational asset specificity in terms of culture etc. - which in principle is accumulated internally and/or developed over time.

Developing key account managers internally will usually only be possible in rather large organizations, in which the key account manager back up function may be suitable. Thus, smaller suppliers may be forced to recruit key account managers externally and take the

time needed for introducing and preparing them to the specifics of the function and the specific customer.

As the physical, human asset specificity increases the dependency on the individual may also increase. Therefore documentation is often necessary to protect the alignment and it's elements, as some organizations gradually develop key account manager assistants or key account manager back up functions. The key account manager assistants and back ups serve two purposes, one is to support the key account manager, the other is to develop customer insight over time and to "duplicate" the knowledge possesses by the key account manager. See further elaboration in the sub-section "Organizational Asset Specificity". The compilation of the elements of physical asset specificity and the four types of key account management is described in figure 6.

Figure 6: Physical asset specificity of the Key Account Manager and the Four Types of Key Account Management

Type / Key indicator	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Dedication	No dedica-tion to any key account	Partly dedicated to one/some key accounts	Partly dedicated to one/some key accounts	Completely dedicated to one key account
Responsibility for Other functions	May have other tasks	May have other tasks	Does not have other tasks	Does not have other tasks - Team leader
Personal attributes	Sales Relationship development	Sales Relationship development	Sales Business system insight	Sales & Strategy Business system insight
Level of Authority	Low	Medium	Medium	High
Recruitment/ Development	Internally or externally	Internally or externally	Internally as a result of planning	Internally as a result of planning

Some large FMCG-suppliers have engaged in developing and implementing key account management development programs, such as Nordic Kellogg's that have developed a 10 modules program running or a period of two years. The program serves as the development path for key account managers within the firm.

Developing both business and personal relationships with customers will often lead to development of tacit knowledge. Tacit knowledge typically increases as the relationship develops over time and as it handles an increasing diversity of tasks or projects. This tacit knowledge may be embedded in the individual key account manager or the key account team. To avoid the risk of loosing knowledge as much of this knowledge is documented as possible.

Education and training as tools to develop the key account is important, as it may provide the basis for key account manger's focus on day-to-day business, as developments are handled by support functions. See further discussion in the sub-section "Organizational Asset Specificity".

Technological Asset Specificity

Technological assets may be applied in the development in the supplier-customer alignment, as they represent very precise alignments of internal systems within the supplier's and the customer's information systems, registration and definition of data, exchange of data and the possibility of simulating different solutions and making joint decisions. Thus it is not the technological asset specificity itself, but the application of this specificity that is the important indicator.

Secondly some supplier-customer alignments lead to the joint development of patents (in the case of joint product development) and joint development of trade secrets. Such developments are usually not shared with other firms, unless this is specified as the development takes place. As an example, such as joint development of tests of different activities and their success in a product category, will not be shared with other customers of other suppliers – however they may give rise to other tests in other supplier-customer alignments.

This type of resource may be acquired as either fully developed, individually adapted systems or be acquired as standard systems, that just have limited value, unless specific supplier and customer data are fed into the model, as is the case for the DPP-model and Space Management.

Technological asset specificity related to key account management can thus be divided into two different areas:

- Technological asset focus
- Application of standard systems
- Patens and/or trade secrets

Technological asset focus may be internal, external or joint. This distinction is based on the notion that technological assets are applied by the supplier either for internal purposes, for external purposes vis-a-vis the customer, or for joint purposes with the customer. The sequence in time is the one mentioned – internal, external, or joint focus.

Technological asset focus has changed from being purely internal to external by gradually focusing on the customer's benefit of the supplier-customer alignment. In some cases this may lead to joint development of technological assets.

Thus the focus changed from primarily having a monitoring and controlling purpose, to focus on simulation purposes, as part of a more proactive management of the supplier-customer alignment – especially systems that take the customer's situation into account and combines several of the supplier's functions, i.e. logistics, finance, production etc. Thus the measuring point or success criteria gradually takes the customer's performance into account, not just as an object for sales but in it's own right. This implies supplementing the traditional measurements such as volume, turnover, trading terms respected (allowances percentage kept within limits), no. of activities within the planning period, no. of delivery points, suitable logistic solutions, payment methods and intervals etc. These may be supplemented by:

- Satisfaction from other functions, within the supplier's organization
- The customer's satisfaction
- The customer's profitability
- The customer's competitiveness

Standardized technological assets are quite common in the FMCG-sector, as indicated by the examples[6] such as: EAN – European Article Number (barcode), EDI – Electronic Data Interchange, and SSM - Shelf Space Management

These models/systems have been developed to be applied by suppliers alone, by retailers alone or to be applied jointly. They are "sector-specific" and are often implemented in a sequence related to the supplier-customer alignment. They have gradually become very common within the FMCG-sector as prices have decreased as the market coverage has developed and as "common standards develop". For example the first two space management systems (Apollo and SpaceMan) could not communicate and were expensive and are now facing the next generation of space management systems, being able to handle data from both systems and priced at approximately half the first systems.

[6] For further elaboration, see Bjerre (1995) and Randall (1994).

This is an example of technological asset specificity that develops as the technological asset is applied; not just internally but in particular, when it is applied in relation to specific key accounts.

Application of standard technological assets and/or internally developed technological assets is often handled by the trade marketing function, as it is responsible for developing the basis for technologies/systems that are to be used by key account management. This basis is then adapted to the specific key account - and only applied to this. Thus it is the adaptation of the system to the specific key account, that is the responsibility of the key account manager. Depending on the specific organizational structure this may be handled by functions labeled “Trade Systems” or “Key Account Consultant”.

In relation to standardized technological assets this function typically transforms the standardized version into to “easy-to-use” versions or adapts them to match existing internal structures – thus increasing the asset specificity. Patens and trade secrets are either developed by the supplier for internal purposes and may be applied to all customers or may be developed as a result of cooperation with specific customers. The key indicator is not the subject of the patent or the trade secret, but is how the initiative has developed.

Figure 7: Technological Asset Specificity and the Four Types of Key Account Management

Type / Key indicators	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
System focus	Internal control	Internal monitoring and control	Customer monitoring and control	Key account performance and benefit from supplier
Standard Systems	EAN	EAN & EDI	EAN & EDI Space Management	EAN & EDI Space Management
Application of Standard Systems	If applied - just the basics	Applied on customer demand	Applied on managerial initiative	Further joint development and maybe unique
Patents/ Trade secrets	None	Customer’s initiative	Joint initiative	Joint initiative

A number of concepts, like ECR – Efficient Consumer Response, Category Management, etc. (GEA, 1994) are currently being introduced in the FMCG-sector aiming at providing suppliers and retailers with frameworks for future cooperation. A common characteristic for these concepts is however, that they cannot be applied as they are introduced because they are based on tight supplier-customer alignment and thus requires adaptations within both organizations.

Reputational Asset Specificity

Reputational asset specificity can also be described as an intangible resource that is developed over time within the supplier-customer alignment. Reputational asset specificity is therefore closely related to the culture, tacit knowledge and the collective capabilities embedded in the relation. This type of resource can only be acquired at a personal level - namely the key account manager or the key account management team as a whole. Thus, this type of asset specificity has two main elements, namely the position the supplier aims at develop or has developed vis-a-vis other suppliers, and the personal reputation the individual key account manager or the key account management team has developed. This could for example be the position taken by Kellogg's, that states that they do not, no where or in any form produce or supply private labels.

Reputational is also a question of the key account manager taking initiatives with other customers and developing an image as an organization, which tries to develop, and is willing to look for new solutions.

Figure 8: Reputational Asset Specificity and the Four Types of Key Account Management

Type / Key indicators	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Supplier's position	Equal to all key accounts	Responds to key account demands	Develops position based own strategy	Joint devel-opment with key account
Key Account Manager	No personal knowledge	No personal knowledge	Some personal knowledge	Much personal knowledge
Key Account Team	No collective capabilities	No collective capabilities	Collective capabilities	Collective capabilities

Brand Asset Specificity

Brand asset specificity is well established as a phenomenon in the FMCG-sector, often labeled private labels, private brands etc. As described in the "Retailer Strategy" chapter, private labels can be characterized in a number of ways, serving different purposes for the retailer. The purpose will typically be closely linked to the overall strategy pursued by the retailer. Thus private labels may be relevant in relation to all four types of key account management.

It is important to note that brands may be used to fulfil the same purposes as private labels. This can be done if the retailer acquires exclusivity for a brand or a series of brands and use these for positioning purposes. It may also be done if the retailer can obtain exclusivity for customized pack-sizes, multi-packs, customized pack designs, etc. The supplier will thus often be faced with a number of options related to brand asset specificity:

- Supply private labels
- Supply special pack sizes, multi-packs
- Supply special pack design
- Devote a brand or a series of brands exclusively
- Do neither

Decisions in these areas are often part of the supplier's overall strategy, which may or may not provide the key account manager with decision competence in these areas. However it is an area in which a decreasing number of suppliers maintains the "do neither" option, among which are Coca Cola, Pepsi Cola, and Kellogg's. Thus the number of suppliers facing the loss of a customer due to the "do neither" option is quite limited. Developing and supplying specific brand assets can be divided into two situations, one where the supplier supplies the customer with private labels, and one where the supplier supplies own brands to the customer. The general development is mentioned in the sub-section on "Transaction Frequency", earlier in this chapter.

The first situation can vary from one in where the supplier may risk being changed at any point in time to a situation in which the supplier is an integrated part of the retailer's development of private labels. In the first instance the customer does not realize any differences among suppliers, for example due to a contact alignment level. In the second instance, the retailer's development of private labels is a joint development project, as the supplier is an integrated part of the retailer's overall strategy.

The second situation may vary from one where the supplier simply supplies brands either exclusively or as a multi-pack (without compromising the existing brand positioning) to a highly integrated cooperation, where products are developed as a joint project. The joint development will often involve the supplier's trade marketing and consumer marketing

departments. Thus the links between key account management and trade marketing are close in relation to decisions concerning private labels and customization of existing brands.

As implied earlier, the two different situations may be present in the same market and the different alignment levels may also be present at the same time. Managing this complexity requires an overview of customers, their strategies, the supplier's individual relation and insight into the supplier's overall strategy. Brand asset specificity is a resource that is developed over time, as the supplier-customer alignment changes, and may thus not be acquired. It contains tangible elements, i.e. products, processes etc. as well as intangible elements, i.e. common tacit knowledge, jointly owned brand names, logos etc.

Figure 9: Brand Asset Specificity and the Four Types of Key Account Management

Type / Key indicators	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Brand Asset Specificity	Low	Medium	Medium	High
Private labels	Supplied in accordance with customer demands	Supplied in accordance with customer demands	Supplied based on cooperation	Jointly developed
Supplier's brands	Multi-packs Exclusively	Multi-packs Exclusively Customized pack sizes & designs for existing based customer's demands	Multi-packs Exclusively Customized pack sizes designs for existing based key account manager's initiative	Multi-packs Exclusively Jointly development of new products

Organizational Asset Specificity

Organizational asset specificity relates to key account management in two main areas, one is the internal "location" in terms of what part of the organization (sales and/or

marketing) the key account manager is a part of, and the other is the responsibility area(s) of the key account manager. Elements of organizational asset specificity thus are:

- Organizational location
- Trade marketing's role towards the Key Account Manager
- Support to the key account manager, in terms of back up(s) or team

Organizational asset specificity also deals with part of the concept of dedication of the key account manager, but is focused on the structural role of the key account manager and the organizational structures and processes supporting the specific role.

Organizational location
Depending on the internal definition and perception of key account management, the internal location of key account managers have traditionally been a question of either sales or marketing - typically a discussion in a product/market-oriented organization.

It will rarely be the organizational location that is decisive in relation to the four types of key account management. However some of the locations and some of the four types are difficult to see combined in practice, like the contact type of management and a key account manager located within the customer's organization.

Figure 10: Organizational Location and the Four Types of Key Account Management

Type / Key indicators	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Organizational Location	Sales Marketing	Sales Marketing	Sales Marketing Separate function	Sales Marketing Separate function Customer's organization

The question of the key account manager's charge is one of great debate - just take a look at the definitions quoted earlier. As indicated in the sub-section on "Physical Asset Specificity" the level of authority may change in accordance with the type of key account management. This is however one of the questions that needs empirical support.

However the change from one type of key account management to another, may gradually change the focus from a purely external focus on the customer to a balance

between external and internal focus as "key account teams" are developed. A major obstacle in the implementation of these structures is to balance the key account focus with the need for effective use of resources - however this is the situation for all matrix-organizations.

Temporal Asset Specificity

This type of asset specificity is becoming increasingly important, as the supplier-customer alignment develops. This is primarily because the cooperation between supplier and customers gradually is divided in two; the day-to-day business and development projects.

Development projects or pilot-projects are often part of the gradual development of the supplier-customer alignment. Rather than changing the existing level of asset specificity and off-setting the costs related, it is not only cheaper but also much more flexible to test future changes within the frame of a project, i.e. temporarily.

In terms of organizational asset specificity may be realized temporarily as ad-hoc teams that may be even be "ad hoc" on a regular basis. There are even cases where the organizational asset specificity is prepared to handle the day-to-day business and prepared to handle projects. These organizations are often divided into an "operational" part and a "development" part and could in the Miles & Snow (1978) typology be characterized as prospectors.

Temporal asset specificity is found within financial, physical and human, technological, organizational, reputational, brand, and contractual asset specificity. This is due to the nature of the concept "temporal". Temporal asset specificity will often reflect "pilot-projects" which are carried out with customers, to which there already exists a high level of alignment[7].

Projects that require temporal asset specificity do not originate randomly, but are typically initiated in areas where transaction frequency is high, and areas where cost saving or efficiency have high expectancies. Therefore logistics, IT, administration are often become project areas before areas like marketing, merchandising, and sales

[7] Among others the following can be mentioned: Kellogg's projects with FDB, Kesko and ICA. P&G's project with FDB, MD Foods' projects with Aldi.

Figure 11: Temporal Asset Specificity and the Four Types of Key Account Management

Type / Key indicators	**Contact**	**Passive Coordinator**	**Pro-active Coordinator**	**Integrator**
Projects possible	No	Possibly	Possibly	Will be
Projects within logistics, IT	Never	Could be	Often	Part of daily business
Projects within marketing	Never	May be	Possible	May be part of daily business

In reality many marketing activities/promotions are temporal in their nature. However although they are temporal in nature the are reoccurring regularly and therefore they are supported by specific assets.

Temporal asset specificity may be high in relation to specific projects also if the are aimed at one occasion. Bryggerigruppen A/S[8] and Pepsi Cola initiated a program called "Pepsi University" in 1995 focusing on developing common knowledge about consumer behavior in-store. The program involved more than 700 tests and all members of the sales and marketing organization. The results from the specific analysis were presented at seminars held abroad involving more than 700 retail managers. Since then new program and new tests have been developed every year to continue the dialogue between Bryggerigruppen and its customers.

The day-to-day business is often handled within the framework of trading terms and conditions negotiated yearly. Agreeing on contractual terms may also apply to projects if they involve either sensitive information or may are expected to produce new know how etc. Thus contractual asset specificity is concerned with the day-to-day business and projects.

Implications for Key Account Management

Based on the initial discussion of existing definitions and detailed description of the four types of key account management, four important conclusions can be drawn:

- Key account management does not just depend on the supplier's strategies and plans – strategies pursued by customer are also influential

[8] A Danish based brewery, producing beer and soft drinks and is the local PepsiCo. franchisee.

- It's thus possible and necessary to distinguish between different types of key account management
- The type of key account management applied may change over time
- Some elements of key account management can be acquired others have to be developed internally

Furthermore the description has not revealed suggestions concerning the coordination of the activities within key account management or the supplier's priority among individual key accounts – thus the original content of trade marketing management may be applied, see the following sub-section.

Therefore in order to establish a more comprehensive and more complete definition of key account management, the following elements are needed to specify the content(s) of the definition:

- Key account criteria
- The role internally
- The role externally
- The strategy pursued by the key account
- The type - contact, coordinator - passive or pro-active, integrator

All four types of key account management can be characterized by:

- KAM is based on human and organizational asset specificity recognizing the internal and external need for focus on the key account(s) supported by varying degrees of financial, technological, reputational, brand and temporal asset specificity
- Contractual strength and type depends on the type of key account management applied

Contact key account management is characterized by:

- All key accounts are large customers, that are identical (principally)
- Low degree of human and organizational asset specificity, offering the key account(s) one contact into the supplier's organization focusing on increasing the supplier's sales
- Specific asset may be acquired and used immediately
- Adaptations are made within the supplier's organization at a superficial level to meet demands from key accounts

Passive coordination key account management is characterized by:

- Some key accounts demands and gets more than others

- Limited degree of human and organizational asset specificity focusing on increasing the supplier's sales to the key account
- Specific assets may be acquired and used at short notice
- Adaptations are made to meet demands from key accounts, at the lowest possible cost

Pro-active key account management is characterized by:

- Some key accounts have more potential than others
- Limited degree of human and organizational asset specificity focusing on the key account's profitability
- Specific asset are developed internally, although they may be based on externally acquired assets
- Adaptations are made to meet demands from key accounts, to support their market position

Integrator key account management is characterized by:

- Key accounts are regarded as markets
- Idiosyncratic human and organizational asset specificity
- Specific asset are developed internally and in some cases in cooperation with the key account solutions are developed to strengthen the key account's strategies and to support their market position

Thus the four types of key account management differ in the degree of asset specificity and in the elements of this degree, but they are alike in relation to trade marketing, namely that they are the decisive factor for the type of trade marketing applied in a specific supplier-customer alignment. However there may be a need for strategic and managerial coordination if there several types of key account management are applied within the supplier's sales and marketing organization.

The definitions do not discriminate between national and international key account management, as the number of markets does not affect the principles. There may be some additions in organizational asset specificity in the individual market but they do not relate to the type of key account management, they relate to internal role of the international key account manager.

Future perspectives

Path dependency and the evolutionary approach (Nelson, 1995; Dosi and Marengo, 1996) could possibly add to the understanding of how supplier-customer alignment levels

develop over time and the developments in some dyadic relations as opposed to other dyadic relations.

Theoretical implications can thus be summed up in terms of:

- Path dependency and the evolutionary approach could strengthen the description of development over time, at provide insights related to the differences between the developments of the case firms.
- Analysis of a form of "internal path dependency" could reveal new insights and increase the understanding.
- Additional insight may be gained by analyzing the organization from a cultural point of view to be able to describe some of the non-economic characteristics of firms.

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