Risk Management for KAM Teams

Kapta

Risk Management for Key Account Management Teams

Risk is an unavoidable aspect of account management, and it should be kept to a minimum.

Undetected customer risk can be devastating to your business resulting in:

Low Satisfaction

This hinders your ability to grow your business through referrals and advocacy. Long-term key accounts often become excellent referral sources and help attract new business by providing things like testimonials or case studies.

Reduced Revenue Growth and Stability

Key accounts provide a steady revenue stream. Customer churn lowers your ability to accurately forecast revenue, costs, and profit. Retention and expansion of existing clients are known to be more economical sources of growth than new customer acquisition and drive greater customer lifetime value.

Unexpected Customer Churn

At-risk clients take steps to stop doing business with your organization because they aren’t seeing value from your partnership, or they are dissatisfied. This leads them to downgrade their business with you and ultimately not renew their contract when it’s time.

Decreased Employee Morale

Employees are affected by working with at-risk customers. At-risk customers tend to complain or give negative feedback more often. These clients are disappointed or dissatisfied, making it more challenging for employees to maintain a positive outlook when they receive negative feedback day after day. This can ultimately lead to increased employee turnover.

Key accounts are the lifeblood of your business. Losing even one of these VIP clients can be a huge blow to your business.

When you recognize risks early, you can minimize their impact, protecting revenue and allowing your business to continue growing.

Risks can arise at any time with various forces like mergers and acquisitions, competitors, and macroeconomic factors causing stress for your company and your customers. So, it's essential to be risk aware. This is especially true for post-sales teams, in particular key account management (KAM) teams since they're generally closest to the client.

Focusing on delivering valuable outcomes for your customers not only increases customer satisfaction and retention, it also enables account managers to detect risks early. That's because they are more engaged with the client, have a deeper understanding of what's happening in the customer environment, and can spot issues as they emerge.

Although many risks are outside your control, spotting them early allows you to identify and overcome manageable ones before it's too late.

Early Warning Signs of Risk

Don’t be blindsided by an unexpected email from a customer saying they are leaving. Everyone in your organization, especially your account managers, must be familiar with the early warning signs of churn risk.

Detecting potential risk early gives you a fighting chance to address issues and overcome the risk before it becomes a foregone conclusion that the customer will churn.

Spotting account risk early buys you valuable time to identify the root cause, size it up, and determine if the risk is one that you have the power to influence.

Get ahead of account uncertainties by learning to recognize these early warning signs of risk. It can make a difference in the profitability of your business.

- **Decreased Engagement:** Reduced or discontinued interactions with your business including call, email, meeting, and platform visit frequency, or participation in account planning processes.
- **More Negative Feedback:** A dramatic increase in support tickets or complaints, or an overall display of general dissatisfaction.
- **Slow or Negative Account Growth**: Reduced revenue from an account unexpectedly is worth investigating.
- **Organizational Changes:** Whenever a key contact leaves a customer account or changes positions in the company, or when there are events like mergers and acquisitions or the hiring of new leadership.
- **Financial Issues:** Difficulties leading to budget cuts, downsizing, or mergers.
- **Lack of Product Adoption or Value Realization:** Failure to fully adopt your product or service can prevent the account from achieving the outcomes they anticipated when they selected your solution.
- **Resistant to Renewal Discussions:** An account that’s unwilling to discuss an approaching renewal.
- **Reduced Referrals or Advocacy:** A decreased number or frequency of referrals, testimonials, or other mutual support from a key account.

Find Out What You Can Do to Help: Ask Your Account Managers These Questions

Leadership needs context when learning that a top-tier account is at risk. Ask your account managers these questions to get a better picture of the situation so you can potentially influence the outcome or prepare for the worst:

What is the State of Our Relationship with the Customer?

This broad question should give you an overview of the account manager’s perception of how things are going with the customer. The response may also reveal additional details like engagement levels, value realization, ease of collaboration with the customer, and flow of referrals.

Has the Customer Had Any Critical Stakeholder or Org Chart Changes?

Any changes to the customer’s organization can be a huge risk to your partnership. When a new stakeholder comes in, they might not understand why their company is partnering with you. So, it’s essential for the account manager to take steps to get to know the new stakeholder as they would a completely new account. And this may be a great time for you to engage with the account as well.

What Type of Feedback Has the Customer Been Giving Us Recently?

Feedback from the customer is essential to gauge their experience and adjust to better serve them. Of course, you’d like to hear that VIP clients have positive things to say, but a lack of negative feedback, or worse yet, no feedback at all, may be a sign of trouble.

In fact, silent customers are worse than those whose complaints have increased, because you don’t know where the problems lie. And silent customers may have already engaged with a competitor or decided to defect without a word.

Has the Customer's Product or Service Usage Changed Recently?

The client's product adoption, issues, and overall growth are often related to their level of value realization and a predictor of churn risk. Examples of this include subscriptions like SaaS or contracts where consumable supplies are continually reordered. A decrease in activity is then an indicator of either a change in the customer's needs or a sign that they are switching to a competitor. Regardless of the cause, this needs to be further investigated.

Have There Been Any Changes in the Customer's Industry or Business that Could Affect Our Partnership?

There are so many risk factors that are out of your control, like regulatory, socioeconomic, or mergers and acquisitions, but it's worth investigating to see if there is any way to overcome the challenge and retain the account.

What are We Doing to Mitigate These Risks?

Once you understand the situation, you'll want to know what is being done to overcome the challenge and minimize the potential risks. Get an overview of the steps being taken to shore up the account and how things are progressing.

How Likely Is This Customer to Continue Doing Business with Us?

Ultimately, you want to hear what the odds are of retaining the key account and preventing them from churning. This is where you need to gain any additional details like:

- The root cause of the problem
- How far the risk has progressed
- What steps are being taken to address the situation
- How responsive the customer is to our efforts
- If there is anything that you can do to help retain the customer

As you recognize which top-tier accounts are at-risk for churn, get a clearer picture of the situation and what steps are being taken to overcome them. Then you can determine if, and how, you can help and the odds of preventing the customer from discontinuing their relationship with your organization.

Whatever the answer, knowing this information enables you and your organization to mitigate these risks and be aware of pending churn when you can't prevent it.

How to Rate the Risk Level and Categorize Risks

Once a risk sign is spotted, asking questions, and then reflecting on the customer's feedback helps account managers assess the risk level and category.

For example, as account managers spot changes in the customer's business, industry, marketplace, or world, they should ask their clients questions to learn how they are impacted and respond to these changes. For example, an account manager might ask, "How are you responding to things that are going on right now and how has that changed your goals for the rest of this year?"

Asking these types of questions, when the opportunity arises, helps to identify unknown risks, and gives a clearer picture of what's going on below the surface.

Reflection is Key

Then it's important for account managers to take this customer feedback and reflect on it. Things to consider include:

- **What does this mean?**
- **How will it affect the customer?**
- **How will it affect us?**
- **How can we step up for them in an innovative way?**

This is about being strategic instead of tactical.

So, when an account manager notices what's happening and gets feedback from the customer about it, it's time to reflect on it. Then they can bring their expertise into the conversation in a way that is helpful for both sides.

Five Steps for Managing Account Risks

Once risks are identified, there are five crucial steps account managers can take to manage key account risks:

1

Rate the impact and likelihood of the risk

This helps you determine which risks you can influence so you can prioritize your focus.

2

Document your risk findings in a centralized location that is easy to share

This makes the information easily accessible to everyone in your organization involved with the account. It helps your organization make better business decisions, have better outcomes, learn together, and collaborate internally.

3

Collaborate internally and externally

Collaborate with other internal departments, possibly by conducting an at-risk key account review meeting, and with the client as well to co-create a plan of action.

4

Create a strategic plan to resolve or prevent the risk

This is completed collaboratively with your internal team and with the client.

5

Communicate progress and close the loop

It’s crucial to keep everyone involved updated on the progress of the plan.

Conducting an At-Risk Key Account Review Meeting

Allocate a portion of your monthly internal account review meeting agenda to review at-risk key accounts. This enables you to triage and address risks as they arise before they progress too far to overcome.

Establish a risk review process for each account to be discussed. This prevents confusion and results in a more worthwhile meeting. Here's an example of how to proceed:

1. At-risk account recap

Have the account manager lead the discussion by recapping which signs of potential churn have been detected and how they were discovered. Be sure to have all relevant reports, documentation, metrics, and analyses handy, as well as the current account plan, for easy reference during the meeting.

2. Identify the root cause

It's essential to determine what precipitated the churn risk in each account so you can successfully address it and improve the situation.

There are many factors that can cause customers to become a churn risk, like:

- Poor onboarding experience
- Lack of value perceived
- Customer support issues
- Product shortcomings
- Lack of self-serve resources or additional product training

3. Brainstorm solutions

Assuming the specific risk is one that you can influence, brainstorm as a group to determine the best way to address the situation.

4. Create a plan of action

After identifying the best approach to address the situation, it's time to create a plan of action, complete with milestones, assigned tasks, and designated success metrics.

Document the plan in a central location and share it with all team members to ensure everyone is on the same page, working together to right the ship and retain the client.

5. Schedule an update

As you wrap up the discussion of each at-risk account, schedule a date to reconvene internally to discuss progress or setbacks, and finetune the plan accordingly.

Creating a Risk Mitigation Plan for Known At-Risk Accounts

Once a risk is spotted, the risk level and category have been determined and you've decided to tackle it, you need to create a risk mitigation plan to overcome the risk and retain the customer.

There are many risks out of your control, but common risks we can influence include relationships, not seeing value and negative feedback. Let's look at how to overcome these three manageable risks.

Relationship Risk

Relationship risks can take several forms. For example, on the client side, when your champion within an account is leaving, moving to a new job, or has a new boss. On your side, relationship risk may be caused by an account manager leaving the company or changing roles, meaning that a new or different account manager will be managing the account.

When gauging relationship risk, start by considering how engaged the account's stakeholders have been. If their level of engagement has changed, try to determine why and whether it happened suddenly or gradually.

Next, consider if any stakeholders within the account have changed. If so, this is a huge red flag that puts your partnership at risk. The new stakeholder may not understand why their company is doing business with yours.

So, it's essential to learn what value means to the new stakeholder. Their perception of value may be very different from their predecessors. You can learn this by using some effective Voice of Customer (VOC) questions to gain insight into what matters to them and what value means to them. Then complete a SWOT analysis to realign your strategy with the customer based on the new stakeholder's responses.

It's important to help the new stakeholder learn about your partnership, collaborate with them, and let them know that you are there to help them succeed.

Not Seeing Value

Customer retention is far greater when customers see value in your partnership. So, failure to deliver on what value is for the customer is a huge risk.

To analyze value risk, consider if you have clarity on what value means for the specific customer. If the answer is no, or maybe you did but it has changed, it's essential to get the answer immediately. Otherwise, how can you possibly deliver value to that client?

Leverage VOC with key stakeholders and contacts within the account so you can learn what value means to the client and how they measure it. Then adjust your account plans accordingly.

If you do understand what value is to the customer, are you delivering that value and does the customer realize that you are delivering value in their terms? Because if the customer is unaware, it's as if they are not receiving value from your solution.

Negative Feedback

Customers often don't take the time or effort to complain. Instead, they don't renew their contract when the time comes. So, a customer complaint is a gift. It's an opportunity to understand what the customer really thinks and what they care about and it gives you an opportunity to resolve the issue.

Customer feedback helps you identify risks and red flags in your accounts. When the feedback is negative, consider what they are telling you and what you can do to rectify the situation.

And if you're not receiving negative feedback, consider if you're asking the right questions of the right people. Because when it comes to feedback, the quality of the question, the timing, and the person you're asking is crucial.

Then you must act on feedback. Otherwise, customers are likely to stop providing feedback when everything stays the same. So, act and follow up to make sure you have sufficiently addressed the issue to the customer's satisfaction.

Essential Risk Management Tools

These strategies help you overcome manageable risks and red flags by identifying them early:

Understanding the Customer's Desired Outcomes

Understanding what matters to the customer is essential. Otherwise, you put the account at risk.

Using Voice of Customer Interviews

Asking the right people questions helps you uncover the real problem or get more details to better understand the issues that need to be addressed.

Conducting Effective Quarterly Business Reviews (QBRs)

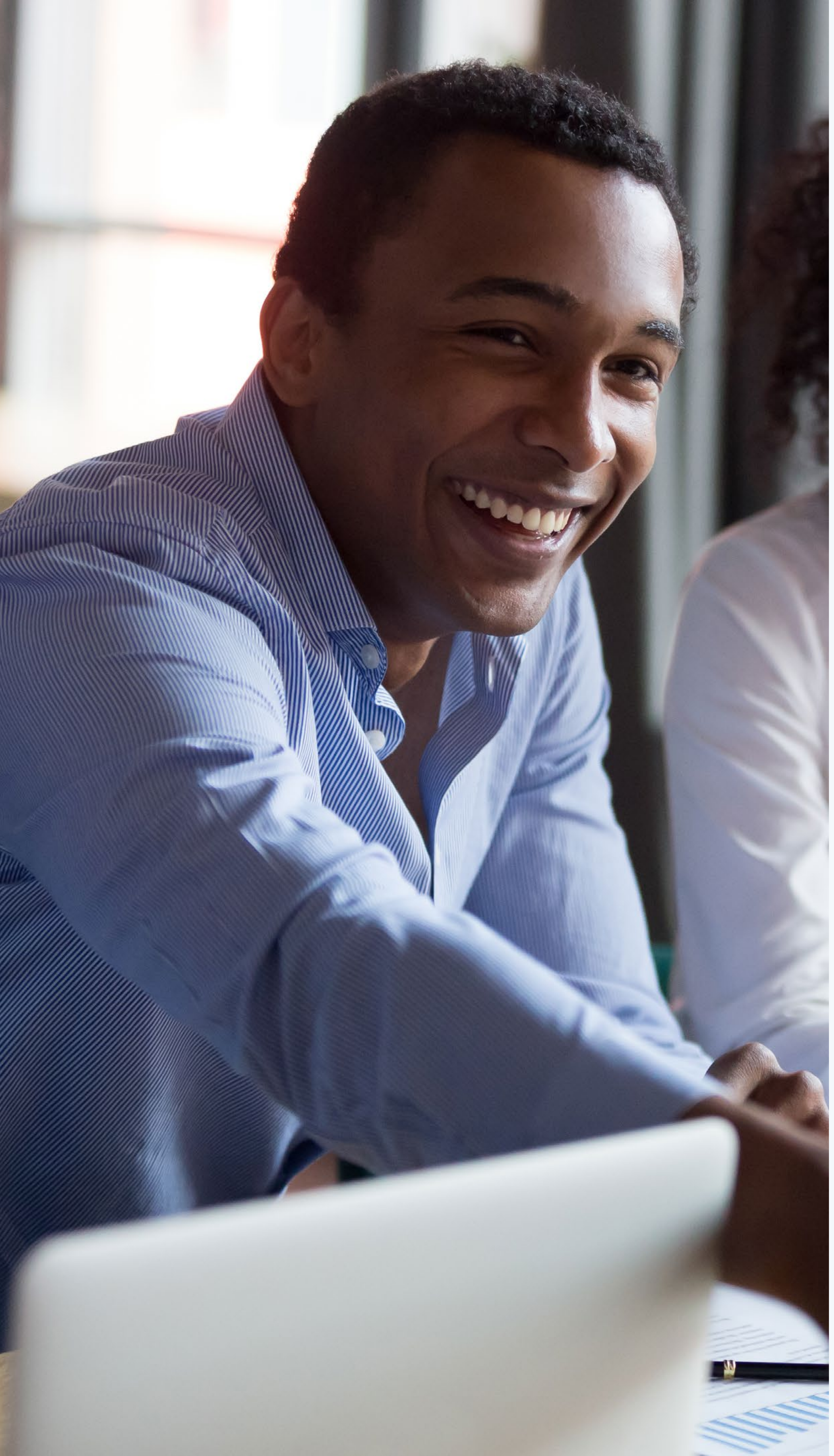
Doing a QBR as a strategic conversation with the client's leadership can be an excellent way to uncover and prevent risk in a key account portfolio.

Preparing Account Plans to Drive Action

Failure to have an account plan is a huge risk because you're operating without a plan to deliver value.

A Risk Management Dashboard

The ability to see the status of all key accounts in one view including essential metrics, health status, and risk levels enables account managers to proactively take action while threats are manageable.



Conclusion: Be Risk Aware to Manage Key Account Risk

Key account risks are inevitable, but you don't have to accept them as losses. Putting the right processes and tools in place allows you to spot risks early, assess them, and act to overcome them.

Remember how expensive it is to lose customers.

When you lose a top-tier customer, you lose revenue stability, cost-effective growth opportunities, referrals, advocacy, and market intelligence. Plus, it costs up to five times more to replace the customers you lose, and new customers take longer to buy new features and are known not to spend as much.

But happy customers that are receiving value don't want to churn if they don't have to.

Start by developing risk-aware, value-creating account managers who recognize the early warning signs of risk.

Then, when key accounts are flagged as at-risk, find out what you can do to help by asking your account managers about the at-risk key accounts.

As at-risk accounts are identified, manage account risk by taking crucial steps like:

- Gauging the impact and likelihood of the risk
- Documenting risk findings in a central location
- Collaborating internally and externally
- Creating a strategic plan to prevent or overcome the risk
- Communicating progress to close the loop

Conducting routine at-risk key account review meetings facilitates taking crucial risk management steps.

Streamline account risk management by leveraging essential tools and technology that enables you to detect and overcome risks early, while they are still manageable.

The benefits of risk management are clear. When you become risk-aware and proactively manage risk you'll see:

- Higher growth
- Higher revenue + profitability
- Clearer revenue forecasts
- Happier employees
- Happier customers that don't want to leave

Ready to Make Key Account Risk More Manageable?

Learn more and explore resources at **kapta.com**.

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Start today.

Contact Kapta to learn more about Key Account Management, and how it can transform your organization.