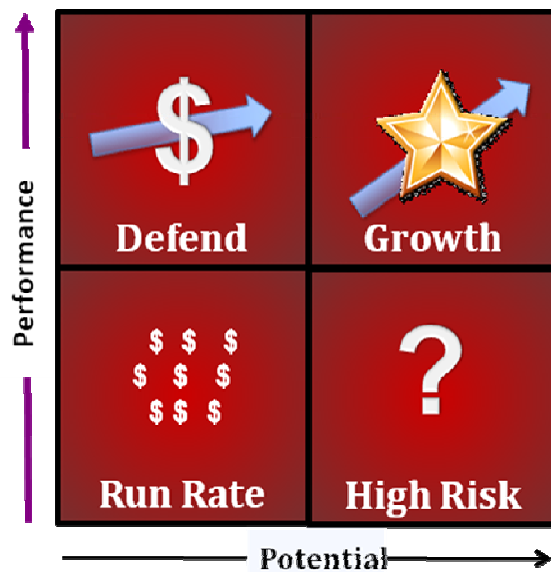


Portfolio Management

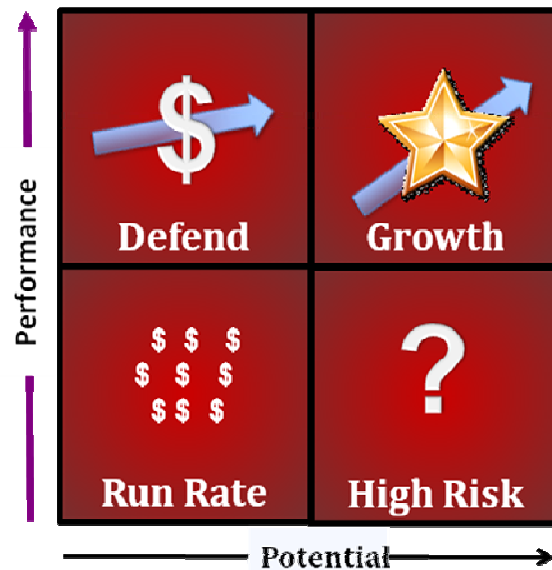
Account Segmentation

Briefing Paper



Account Segmentation Matrix

In today's competitive marketplace, time and personnel resources are becoming scarce. The Account Segmentation matrix below is a simple way of looking at a portfolio of accounts to identify and gain a first pass look of the most effective approach to adopt to allocate account management resources effectively.



In this model, each account (defined as a buying entity) is viewed from two aspects:

Current performance:

This is normally easy to determine, by looking at the actual performance (revenue or profit) over the immediate past. Accounts are ranked with today's highest performers at the top of the range, and accounts where we are not doing any business at the bottom of the range.

Future potential:

This ranking requires some analysis and some judgment. At the top of the range are those accounts that could be our best performers in the future, and which will exhibit very strong growth. At the bottom of the range are those accounts where there is no growth forecasted.

Account Segmentation Matrix

By viewing accounts from these two perspectives, we can place them in the Account Segmentation matrix above. The matrix is actually a map, and all accounts can be placed at a unique position within the map. For ease of comparison, the map is broken down into four main segments:

Run Rate Accounts

These accounts are individually not important to us. We should not put any great resources into developing them as they represent little business today, with little future potential. As a group, these accounts could yield significant revenues; therefore we will tend to adopt a "program" approach to them. This will rely heavily on mail based, telephone based and web based selling, which will focus particularly on providing an excellent "buying service". Our activities with this group of accounts will be measured primarily by revenue / profit versus cost of selling.

Defend Accounts

These accounts are doing good business today, but do not represent our future. It is important to retain revenues / profit from these accounts, but it is important not to over invest. This is very difficult for many sales people, as business from these customers will be under scrutiny from senior management, and also because we will often have had a long history of doing business with them, they will be our "friends" and will have got used to a high level of service from us. Our approach here will be heavily biased in terms of providing customer satisfaction, putting up barriers for any competitors, and carefully rationing our resources. We need to do enough to keep today's revenue stream, but must not spend too much of our precious time or resources with these customers.

High Risk Accounts

Typically these are either new business opportunities or accounts where we have established some initial limited presence, and where we have the opportunity for very significant growth. Our watchword in all of these accounts is QUALIFICATION. We will be constantly qualifying opportunities and our time. We need to carefully position ourselves in the account, while at the same time taking tactical business in order to build our position. Conversion ratios, new business gains and relationship building will measure our activities in these accounts. It is likely that we will be heavily using opportunity planning tools such as ProAct's MAP2 in these accounts.

Growth Accounts

These are our "stars". They provide good revenues / profits today, and are set to provide even better returns in the future. This is the realm of true Account Management, and we will almost certainly have a well crafted Account Plan, using for example ProAct's MAP3 account planning methodology, although we will still have opportunity plans for the new major opportunities that come along. We will be building our defenses with lock-ins and lock-outs, nurturing and forging relationships high and wide, and demonstrating true value-add to the customer leading to new and expanded business opportunities.

The Account Segmentation matrix only provides a first pass look at our portfolio. There are a number of tools available to help quantify the positioning of accounts within the matrix, and the model has been successfully applied in many situations, including end user major account selling and in channel partner selling.

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