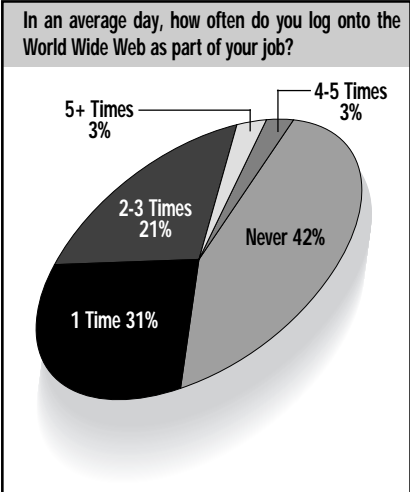


Data Watch

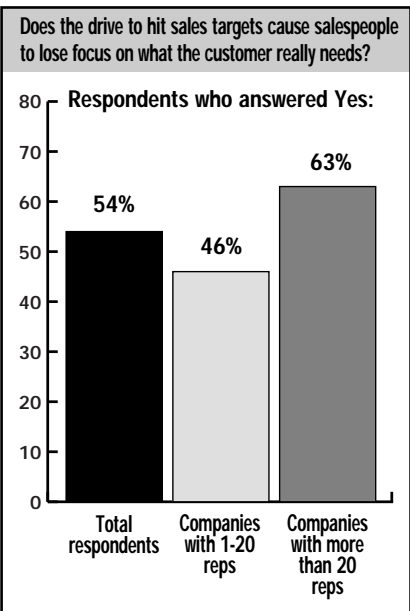


For which purposes do salespeople use the World Wide Web?

E-mail	62%
Competitive Info Gathering	61%
Marketing Tool/Advertising	52%
Customer Research	51%
Electronic Commerce	11%
Distribution/Publishing Tool	10%
Leads.....	1%



Source: Sales & Marketing Management Technology Survey, December 1997



Source: Sales & Marketing Management Ethics Survey, December 1997

PRACTITIONER VIEWPOINT: How CSX Corporation Establishes Partnerships with Strategic Accounts

By: Paul T. Newbourne
General Manager Corporate Accounts, CSX Corporation

In an environment characterized by scarce resources, increased competition, higher customer expectations, and faster rates of change, executives are turning to partnerships to strengthen supply chain integration and provide sustainable competitive advantage [1]. Partnerships can be an effective means to improve a business relationship and the resultant levels of business between the partners, however, the creation and management of a partnership should be considered part of an overall account management process. This is particularly true in the case of strategic account management. A strategic account is defined as an account (customer) that is critical to the long term success of your business.



This article will focus on providing an overview of how CSX Corporation utilizes a structured process approach in its strategic Corporate Accounts program. The primary emphasis will be on the initial steps of CSX's account management process which are required CSX prerequisites to use a formal Supply Chain Partnership model [2] which is considered a vital part of the overall CSX strategic account management process. In addition, a specific model application will be reviewed.

GENERAL BACKGROUND

CSX Corporation (CSX) is a global transportation company with interests in North American rail carload and intermodal transportation (CSX Transportation and CSX Intermodal, respectively), ocean going container transportation (Sea-Land Service, Inc.), U.S. inland waterway barge transportation (American Commercial Lines), consolidation and related value

added services (The Buyers Group) and contract logistics services (Customized Transportation, Inc.). CSX has developed and implemented a formal Corporate Accounts management program aimed at providing strategically important customers with transportation and supply chain solutions using the underlying resources of the appropriate CSX affiliates. It is as part of this Corporate Accounts program that the use of a formal account management process, including the application of a formal partnership model, plays a key role in determining the success of the CSX/account business relationship.

Given the vast global reach and extensive asset base that CSX has in the transportation and logistics business it is a logical expectation that a focused multi-business unit sales approach for accounts be used where there is a potential for positive business benefits. The CSX Corporate Accounts Management Process is designed to determine and manage which accounts the group of CSX companies can serve best in the form of providing maximum transportation and/or logistics value. The focus is to selectively engage strategically important accounts and provide them with integrated CSX transportation and logistics

WE HAVE FOUND IT CRITICALLY IMPORTANT TO ESTABLISH MEASURES OF SUCCESS (METRICS) IN CONJUNCTION WITH THE CORPORATE ACCOUNT PROGRAM

service solutions which meet or exceed their needs. To do this it was determined that there be a distinctly different approach to managing this type of account.

Fred Wiersema and Michael Treacy concluded in their book *The Disciplines of Market Leaders* that the market discipline of Customer Intimacy can provide a significant source of competitive advantage while providing total solutions to customers [3]. Wiersema and Treacy suggest that the customer-intimate company makes a business of knowing the people it sells to and the products and services they need. It continually tailors its products and services, and does so at reasonable prices. Its proposition is: we take care of you and all your needs, or we get you the best total solution.

This approach is consistent with the CSX Corporate Accounts management process focus on finding the best transportation and logistics solutions for our accounts. It is because of the unique value (single source multi-modal transportation and logistics services) that the CSX family of companies can deliver to this target market that we have chosen to apply this discipline to our corporate account management process.

We believe that to get to the level of understanding and relationship described by Wiersema and Treacy that an alternative to the traditional adversarial transactional approach to doing business must be pursued. We have found that there are few companies that will invest the time and effort to pursue the activities as defined here if the business relationship is operating in a purely transactional environment. It is this need to change the business relationship that led us to the conclusion that a partnership model process was a required part of our overall account management program.

CSX CORPORATE ACCOUNTS MANAGEMENT (CAM) PROCESS

The CSX CAM process is a detailed approach to directing and managing CSX's activities and interaction with accounts which are determined to be of strategic importance and can benefit from the breadth of CSX services. An overview of this process is shown in Figure 1. This formalized approach and process is applied to all accounts that enter the Corporate Accounts program.

The balance of the article will touch on each of the major steps in this process with particular emphasis on the Partnership Evaluation and will describe an application of the model.

ACCOUNT TARGETING

The CAM process starts with account targeting inasmuch as we have found that effective targeting can greatly increase the likelihood of success. Our long term success will be determined by the ability to focus our key resources, both human and capital, on the accounts and business opportunities which will yield the highest level of customer satisfaction and financial return.

We utilize a market industry segmentation analysis to help answer a number of important questions including:

1. Which industry segments are growing and are financially stable?
2. Which industry segments have a need for some combination of our core services?
3. What type of transportation/logistics service does the industry segment require?
4. Who are the customers leading the industry segment in terms of product/service innovation, share growth and financial stability?
5. Which of these leading industry segment customers are driving changes in historic segment paradigms?

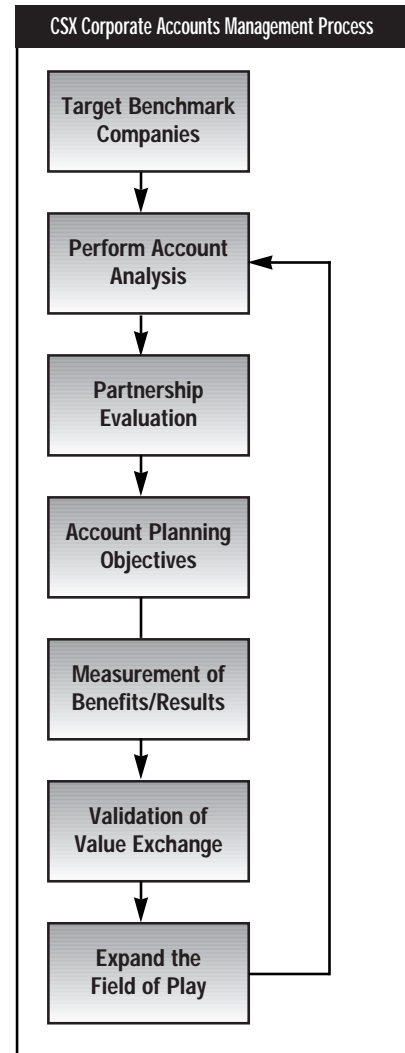


Figure 1

While the answers to all of these questions are important, perhaps the most important is the answer to question five in so far as we have found that those companies which are driving change in their industry are often doing so in a non-traditional fashion. It is this type of approach that we feel singles out these companies as being willing to do business differently and

Continued on page 21

OUR LONG TERM SUCCESS WILL BE DETERMINED BY THE ABILITY TO FOCUS OUR KEY RESOURCES, BOTH HUMAN AND CAPITAL, ON THE ACCOUNTS AND BUSINESS OPPORTUNITIES WHICH WILL YIELD THE HIGHEST LEVEL OF CUSTOMER SATISFACTION AND FINANCIAL RETURN

Practitioners Viewpoint continued from page 7

confirmation subsequently made through the application of the Supply Chain Partnership model. These companies form the initial list of target benchmark companies.

CORPORATE ACCOUNTS MANAGEMENT ANALYSIS

The CSX CAM analysis was developed based on work by Miller and Heiman's Large Account Management Process approach to managing strategically important customers [4]. The CAM analysis involves a comprehensive evaluation of the target benchmark companies which were identified in step 1 of our process. It includes the development of information and insight in the following key areas as they pertain to the target benchmark company:

1. **General Information:**
 - Key Company Contact Information
 - Key Internal Contact Information
2. **General Overview:**
 - Current Business Levels (Volumes/Revenues/Profitability)
 - Current Business Position
3. **Company Assessment:**
 - Business Profile
 - Financial Performance
 - Production/Distribution Locations
 - Industry Trends
 - Customer Trends
 - Primary Competitors
 - Customer Challenges
 - Organizational Structure
 - Purchasing and Vendor Selection Criteria

4. Situation Appraisal:

- Strengths to Offer the Company
- Weaknesses in Serving the Company
- Key Business Opportunities

5. Account Strategy:

- Primary Goal(s)
- Baseline Business Strategy
- Key Action Plans

6. Investment Review:

- Identify Areas of Withdrawal
- Identify Propensity to Partner

The CAM analysis helps us better understand the account, their business needs and whether they are truly changing the way they do business. Under step six of the CAM analysis we are able to develop an informed opinion in regard to the account's likely willingness to form a partnership or strategic alliance. If it is determined that there is a propensity by the account to do so we move to the next step in our process — the Partnership Evaluation.

PARTNERSHIP EVALUATION

In order to improve the odds of a thorough and accurate evaluation the following actions are recommended:

- An initial meeting to exchange business philosophy
- An agreement to pursue a partnership evaluation
- A joint partnership evaluation session
- Agreement to pursue a formal partnership
- Execution of actions to achieve the desired partnership type

In the initial meeting, the primary objectives are to establish a collective

understanding of each others business needs and management philosophies for doing business together. Time is taken to convey and confirm our understanding of the account's strategic direction and business challenges based on the CAM analysis. Once this has been confirmed there is a need to contrast the account's strategic direction with our own in order to demonstrate that there is compatibility in our respective management philosophies which generally helps facilitate doing business together. It is also important to compare our service competencies with the account's challenges and recap how these competencies can help them overcome their challenges.

If there is agreement at this point it is suggested that the Supply Chain Partnership model be used to establish the type and intensity of the new business relationship. The process is reviewed in concept and a subsequent meeting scheduled to perform the associated steps of the model. The Supply Chain Partnership model suggests that business relationships operate along a continuum and that companies that establish partnerships are more likely to be successful if they agree where they want their partnership relationship to be on that continuum. In addition, the model suggests that each party to the partnership understand the definition to be associated with the targeted partnership type and the specific management actions required to achieve the desired level of partnership. Figure 2 (see page 22) recaps both the relationship continuum and the definition of the various partnership types the model proposes.

Our experience has shown that "buy in" to using an agreed process approach is critical to long term success and it is sug-

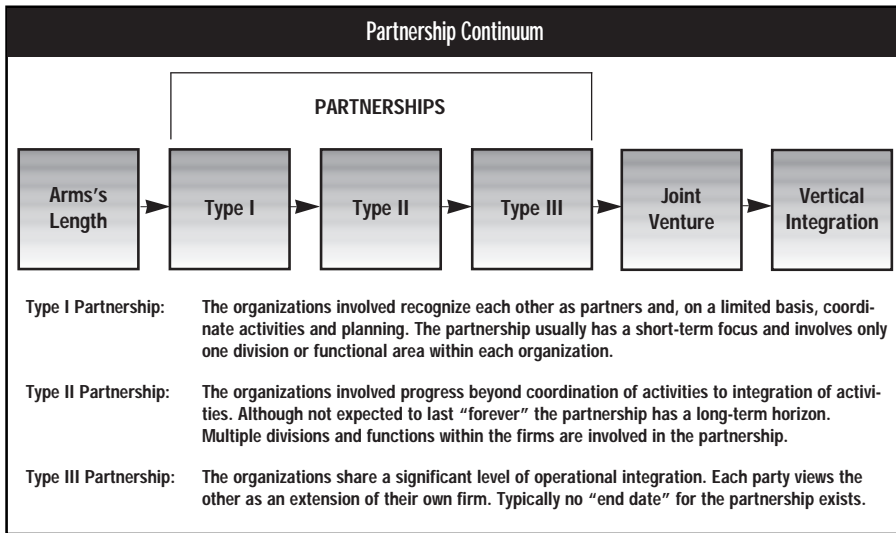


Figure 2

gested that there should be senior management approval by all parties as to the partnership process to be used.

At the second meeting the Supply Chain Partnership model is thoroughly evaluated and applied to the situation at hand by all involved parties. We have developed a list of seven (7) key steps in the model evaluation which we have found useful to monitor the evaluation progress and keep the evaluation on track. These steps are:

- Step 1: Current Situation Review and "Reality" Check
- Step 2: Evaluate Drivers and Facilitators
- Step 3: Establish Preliminary Partnership Type
- Step 4: Review Management Components
- Step 5: Finalize Initial Partnership Type
- Step 6: Perform Partnership Type Gap Analysis
- Step 7: Establish Action Plan and Time Lines

It is important that at least one senior manager from each party participate in this evaluation session. In addition, we have found our most successful applications to

be those that are held at a neutral site with limited phone access. We would also suggest that no portable phones be allowed in the meeting and that the participants plan on allocating at least 4-6 uninterrupted hours for the evaluation session.

The importance of the partnership evaluation session is best seen by example. In one of our sessions an account's logistics manager indicated that his company was very familiar with partnerships and that our pending relationship was likely to be "a marriage". We asked his indulgence and proceeded to work through the model and during Step 4 the same manager indicated that "I think I only want to date right now" as his understanding of management behavior expectations became clear.

It is particularly important to complete Step 6 as we have found that performing a gap analysis has been helpful in level setting the management component behavior expectations. These management component behaviors are the management activities that the participants can control and are listed in Figure 3 (see page 23). This level setting often leads to an adjustment in the desired preliminary partnership type. The gap analysis chart shown in Figure 3 is representative of the results of a typical analysis which indicates a significant shift between the initial and second evaluations.

The net results of the partnership evaluation session have been to allow us to begin the relationship with a solid under-

standing of where the parties are, where we collectively want to go and what management behaviors need to change to get there. This approach has tended to make the process more challenging but the goals more achievable.

ACCOUNT MANAGEMENT PLAN

There is a need to take the results of the CAM analysis and Partnership Evaluation session and develop a working account management plan in order to insure that there is execution of the strategy, action plans and partnership development. This aspect of our corporate account process is more traditional in its approach and it is intended to clearly communicate to the CSX family of companies important information regarding the plans to manage the account's business and relationship as well as serve as a reference source about the account. The key components of the account plan are outlined in Table 1 (see page 23).

MEASURE RESULTS - BENEFITS

We have found it critically important to establish measures of success (metrics) in conjunction with the corporate account program. This conclusion is reinforced by Lorraine D. Segil in her book "Intelligent Business Alliances" wherein Segil found that a critical failure factor had to do with the lack of definition of success and that few companies clearly define success appropriately and consequently do not know if their alliance is working [6].

There are two sets of metrics involved — one for the account and one for CSX. The account metrics are established by both the account, the individual CSX units and the CSX Corporate Accounts director. The intent is to insure that there is an agreed value to be exchanged between the partners and that both partners are capable of delivering the value. The account metrics that are generally used include hard dollar savings, increased sales and non-price productivity improvements (changes in processes that result in cost savings). The CSX metrics, in part, are driven by the account's metrics inasmuch as the amount

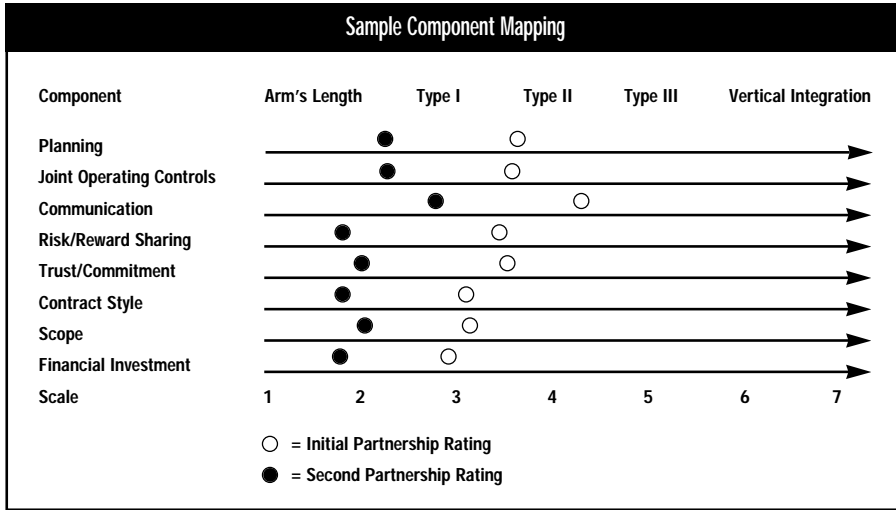


Figure 3

of value that CSX can deliver often is directly associated with the potential for CSX to improve its share position and business processes. The CSX metrics that are used generally include volume/revenue/margin growth and productivity improvements.

VALIDATION OF THE VALUE EXCHANGE

The use of jointly developed account metrics is the primary validation of the value exchange. Since the account determines the initial impact (hard dollar savings or process improvements) of the particular project the validation is made by the most

interested party - the customer. This aspect is another reason to have a formal partnership established since agreement on Risk/Reward Sharing and Integrity are critical elements of the Supply Chain Partnership model.

Validation is done on a monthly basis by providing written summaries of the impact of each project to both the account and the involved CSX unit. These individual project sheets are rolled up into a general summary which is then shared with the senior managers of both companies. In addition, quarterly partnership update meetings are held to review the progress and impact of the individual projects.

These meetings are attended by the account and CSX unit representatives responsible for the project's successful implementation. Finally, the use of internal newsletter publications helps facilitate an understanding of the value exchange at all levels of the organization and provides a point of entry for employees of all parties to voice their views on the effectiveness of the program.

EXPAND FIELD OF PLAY

The net result of this account management program has been an ever increasing role for CSX with

Executive Summary	Account Profile Business Summary Account Strategy Account Opportunities
Account Profile	Principle Business Summary Business Objectives Logistics Group Objectives Facility Information Key Contacts
Business Summary	Statistical Summary Position Summary
Account Strategy	General Strategy Account Team Role Definition Action Plan Outline
Account Deliverables	Project Management Tracking Reports
Appendix	Miscellaneous Information

Table 1



'WHEN OPPORTUNITY KNOCKS'

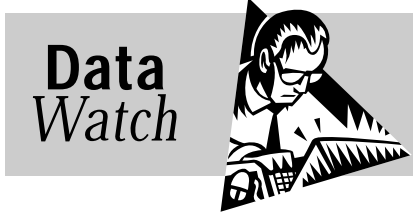
By: Mike Fillion

What do you do when you're fighting to win an \$80 million dollar account and you're not the incumbent supplier? If your Scientific-Atlanta's Broadband Communications Group you put your new selling approach to the ultimate test and score a 100. As Tom Nilson, vice president of sales for North America with S-A's Broadband Communications Group points out, "We started on the outside looking in, but we were able to wrap up the whole deal. A large part of the reason was a strategic process that allowed us to look at a total business solution."

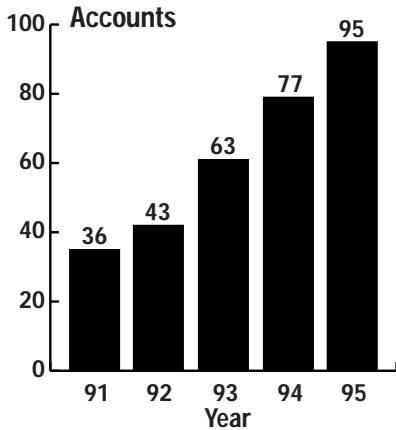
In 1996 an S-A northeast account manager learned from one of his contacts that Suburban Cable was rebuilding their critical three-state network. By implementing the new strategic account planning system, S-A identified the key players and convinced them that the company would be best served by taking a total-system approach. This is what won over one of the key decision makers according to Nilson. "He said we were taking a business approach to their needs, whereas some of our competitors were more focused on the hardware aspects of the deal. That was key. Not only were we looking at the solution aspect, but we were also looking at going beyond the current opportunity. It really pushed the sale in a different direction."

S-A continues to use the new system and as Jamil Elayan, a national account manager in Atlanta says "We've gone from a seat-of-the-pants sales system, where you see an opportunity and you go back and scream as loud as you can to get people's attention, to having a mechanism where every sales opportunity can be evaluated not just on the strength of your voice but on the facts that you have lined up."

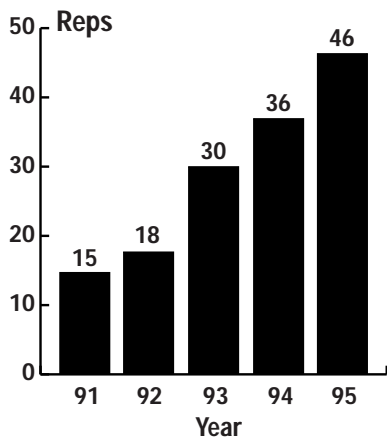
Sales & Field Force Automation, December 1997, page 56-62



NAM Account Growth



NAM Representative Growth



Source: NAMA / University of Maryland Study "Drivers of NAM's Effectiveness", 1996

Our respondents were front-line NAMs from a broad cross-section of US firms across many different industries (55% manufacturing, 43% service). Firms represented in the sample were large, with median sales of \$3 billion and 14,000 employees. Firms were in competitive industries, with the median number of competitors per selling firm at 9. Selling firm industries were also concentrated, with a median 4-firm cumulative market share of 80%. Our NAM respondents had a median age of 41, were mostly male (86%), and well-educated (61% had a bachelors degree, 28% had a graduate degree). They had a long tenure within their firm, median 12 years, of which 10 were in sales and of those, 3 were as a NAM. Each respondent was asked to provide data for a specific customer account they were responsible for.

the involved accounts which is driven by the ability to consistently deliver value as measured by the account. Our ability to deliver this type of value is, we believe, driven by our disciplined process approach to strategic account management.

In order to insure an ever expanding role with the account it is necessary at this point to return to the CAM analysis step of the process. The CAM analysis is formally updated on an annual basis to reflect new information, the partnership evaluation is revisited to insure proper management behaviors are driving the correct relationship type, new account plans and objectives are developed, results subsequently measured and the corresponding value validated. The net result being an ongoing modified use of the basic process.

AN ACTUAL APPLICATION OF THE PROCESS

One practical application involved AlliedSignal Inc., a multi-national advanced technology and manufacturing company with business interests in the automotive, aerospace and engineered materials industries. AlliedSignal generates \$14 billion in annual sales with stated objectives of customer delight, growth, and process improvement. AlliedSignal, lead by CEO Larry Bossidy, has transformed itself into an industry leader and has produced record financial performance in recent years. AlliedSignal has also been at the forefront of changing its supplier/vendor relationships through purchasing productivity improvement programs [7]. These efforts were consistent with our account selection criteria and indicated further investigation was warranted to qualify AlliedSignal as a possible corporate account.

The first action that CSX took was to complete a CAM analysis on AlliedSignal. The results confirmed our initial impressions and surfaced additional information on AlliedSignal and its business needs. Given that the majority of the CSX units were doing business with AlliedSignal on an individual basis in a purely transactional environment both AlliedSignal and CSX quickly concluded that a collective

approach in a similar environment would not likely yield positive results for both companies. Both companies concurred that there was a good business fit to do business together but in a non-traditional manner. We also agreed to use the CSX Corporate Accounts process and associated Supply Chain Partnership model as the basis for establishing a new business relationship.

We continued to follow the CAM process and went through a formal partnership evaluation session. Our initial driver and facilitator scores indicated that a Type II partnership was an appropriate starting point. However, after our gap analysis we agreed that we should focus on a Type I partnership approach and work our way to a Type II classification. Initially, each company also identified several management behavior components that we thought the other could change in order to improve the business relationship. Currently, we now use the Supply Chain Partnership model's management component matrix as a guide and identify components that we need to work on for each project that we pursue.

Fred Wiersema in his book "Customer Intimacy - Pick Your Partners, Shape Your Culture, Win Together" suggests that one way that you move from being a vendor to a partner is by selling productivity not just products [8]. We followed this advice and our initial value proposition for AlliedSignal was to provide it with seven (7) percent annual productivity improvements driven by providing transportation and logistics solutions that enhanced the total cost position of AlliedSignal. AlliedSignal, for their part, agreed to grow our volume and revenue share across the various CSX units at rates in considerable excess of average annual market growth rates.

Both companies have hosted quarterly partnership update meetings bringing new participants to each meeting to communicate the value of the new partnership and secure additional "buy in" throughout the respective organizations. In addition, periodic newsletters and e-mail connectivity have been helpful in supplementing the quarterly meetings.

To date, the business results have been

very positive for both companies. AlliedSignal has enjoyed annual productivity improvements in the area of seven (7) percent for two consecutive years. AlliedSignal has also indicated that this effort has been a positive experience. "We're pleased with the results of our partnership with CSX so far...and we've demonstrated the value of the partnership concept and the CSX Corporate Accounts approach" according to James D. Molzon, AlliedSignal Vice President of Logistics. In addition, AlliedSignal has provided CSX with testimonials for other CSX accounts such as Liz Claiborne, Solutia and Wal-Mart who were interested in undertaking this account relationship approach.

The business results for CSX have also been positive with CSX enjoying share growth at rates well in excess of market rates since the program's inception. In addition, the CSX team members have found the Corporate Accounts and Supply Chain Partnership model processes helpful with other accounts. "We're learning to work together as a team to bridge the business units, which will allow us to provide better services for our customers and find more business opportunities" according to Joe Kroskey, Sales Manager, American Commercial Lines, CSX's inland barge affiliate.

CONCLUSION

A summary of the key benefits that this process approach to account management has afforded CSX and its customers are listed:

- A process model to follow...
- Improved customer relationships...
- Better sales coverage effectiveness...
- Increased business levels and opportunities...
- Improvement in the customer's cost position...

The net result is a closer and more productive business relationship which can be replicated across accounts which is built on a partnership that "is a tailored business relationship based on mutual trust, openness, shared risk and shared rewards that

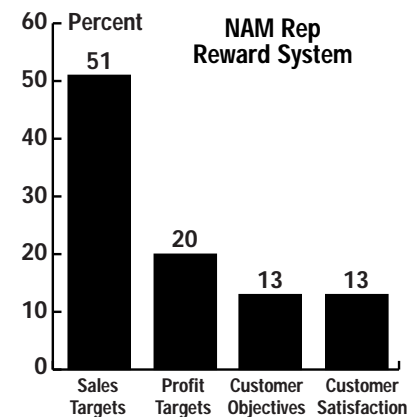
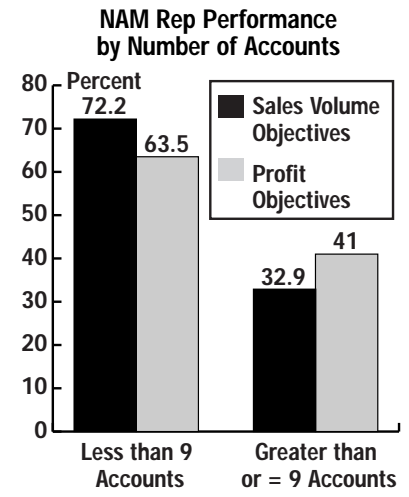
yields a competitive advantage, resulting in business performance greater than would be achieved individually" [9]. **NAMA**

FOOTNOTES:

1. Douglas M. Lambert, Margaret A. Emmelhainz and John T. Gardner, "Developing and Implementing Supply Chain Partnerships", *The International Journal of Logistics Management*, Vol 7, No 2 (1996).
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Source: NAMA / University of Maryland Study "Drivers of NAM's Effectiveness", 1996

The median number of key customer accounts per firm in our sample grew from 25 in 1991 to 75 in 1995, an average annual growth rate of 34%. The median number of NAMs per firm in our sample grew from 4 in 1991 to 8 in 1995, an average annual growth rate of 20%. This shows that implementation of national account management is growing within US firms. Several reasons account for this growth. Customer industries are increasingly more competitive (median number of competitors per customer firm was 10) and mature. Increased competition spawns the need for cost efficiency in purchasing business products and services. Our data show that 68% of the NAM customer accounts have centralized purchasing permitting buying economies of scale. Mature customer industries are also more consolidated with a median 4-firm cumulative market share of 70% in our sample. With fewer customer firms per industry, a NAM form of sales organization is efficient and effective.