



STRATEGIC
ACCOUNT
MANAGEMENT
ASSOCIATION

Launching a strategic account management program at Hilton Hotels Corp.

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Hilton Hotels faced complex business challenges in the sales arena in late 2004. Increased consolidation was changing the competitive landscape. Buyers in many major accounts had gravitated toward a hard line, commodity-buying mindset, and company leadership wanted the sales culture to take a more client-focused approach. Leadership desired a strategy that fit with the company culture, leveraged the company's vast resources, added value from clients' perspectives and positioned the company for sustainable competitive advantage.

At the time, the product portfolio strategy was being adopted by all the major chains (Hilton, Marriott, Starwood and Intercontinental). All of the major chains had

product offerings to meet the needs of every price level, demographic and location for the majority of business, leisure and meeting and convention travelers. They were taking advantage of economies of scale in purchasing, marketing and new location development. Through these efforts the major chains outperformed independent hotels in revenue generation and profitability. This approach fueled consolidation in the industry, and smaller regional hotel chains were being acquired almost daily.

Not surprisingly, the major chains competed among one another to retain and grow the desired share of business within a subset of large customers that shifted their business from one chain to another based on value, pricing and product fit. At the same time, many of these clients liked the idea of distributing their business to retain negotiating leverage with a few major chains, which limited the dramatic account acquisitions desirable to the largest hotel chains.

A new way of doing business at Hilton

Hilton leadership had watched closely as one primary competitor had advanced to the strategic account management approach. Hilton wanted to neutralize that progress while at the same time taking an approach that was unique to its own customer base and culturally friendly



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to Hilton and the brands in its portfolio. In addition, Hilton had heard that another major competitor was considering launching a SAM effort, and Hilton wanted to act quickly to achieve first move advantage.

The Hilton leadership team wanted a SAM program architecture that would play to the company's strengths and redefine the way senior level B2B relationships were formed and cultivated with SAM accounts. Leadership also recognized that many internal challenges could slow or derail

the new approach, so leaders sought to address those up front. Hilton retained a sales consulting company (Leadership Synergies) to assist in SAM program design and implementation of the SAM team. The consultants were a good fit for Hilton because they had considerable knowledge of the hospitality sector, experience in implementing SAM teams and sensitivity to the cultural aspects of Hilton's SAM goals.

The consultants and Hilton leadership set these preliminary goals for establishment of the program:

- Test the concept with customers to see whether they want a different approach from Hilton.
- Select targeted accounts the first time by using selection criteria.
- Clearly define the difference (goals and roles) between the new SAM team and the existing sales teams.
- Focus on value-added initiatives identified by customers, initiatives that could pass the litmus test of making and / or saving money for both the client and Hilton.
- Identify initiatives that were enterprise-wide in scope instead of at the operating unit level.



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- Have Hilton senior executives define success for the SAM program up front to foster long-term buy-in.
- Hire the right people for the SAM team.
- Set clear, measurable goals.

“The marketplace demands required us to take a more consultative approach to working with our highly valued customers,” said Bob Dirks, senior vice president of sales, strategy and development, who oversees and develops strategies for all sales organizations at Hilton. “Everyone talks about working ‘strategically,’ but as a whole, sales still tends to react ‘tactically.’ When we decided to formalize SAM within the Hilton Family, we wanted to ensure that our customers embraced SAM and that at Hilton we clearly understood the approach, were supported by our senior leadership team and aligned across our enterprise.”

This article examines three key components of the SAM implementation process at Hilton:

1. Client research to confirm interest in a new approach and to understand how the customer envisioned its structure;
2. Senior level buy-in to the program architecture from the beginning; and

3. Creation of a SAM scorecard to measure results.

Key finding No. 1: a customer-focused approach

The process started by applying account selection criteria to accounts that appeared to be a good fit for the SAM approach. The accounts selected had a good cross-section of attributes.

Examples include:

- Different business segments (pharmaceutical, financial, consumer products, etc.);
- Existing relationships with Hilton (year-after-year proven production);
- Volume and quality rating (highly desirable business for all Hilton brands); and
- Partnership mentality (willingness to share data and information freely).

To build a SAM program with a high probability of long-term success, the consultants started with a research-based approach. The first step was to conduct confidential interviews with key contacts within the targeted accounts. The consultants used an interview guide that included both qualitative and quantitative questions. Customers were not aware they were being considered for the SAM approach; they were told only that Hilton wanted their feedback about what an effective program would look like if one were deployed.

After the interviews were completed, the consultants and Hilton executives selected the accounts that seemed to be the best fit. The original list of 56 potential accounts was narrowed down to 15.

Sample research findings from customer interviews included:

- Hilton should take a more consultative, solutions-oriented approach in its sales efforts.

- Hilton should undertake initiatives that show its commitment to a B2B, high-level relationship.
- Hilton should share data that would help the customer to improve business performance.
- Hilton should avoid the trap its competitors had fallen into of being perceived as arrogant and inflexible in the negotiating process.

Finally, the research validated that customers wanted a SAM-like approach and that such an approach would distinguish Hilton from its competitors and would likely result in improved loyalty and preference.

Key finding No. 2: solidifying senior level buy-in from the beginning

The next step was to include Hilton senior leadership in SAM business plan development. Hilton leadership and the consultants sought to avoid the common occurrence of having the first two or three SAM initiatives fail. It was imperative that senior leaders believe SAM was crucial to improving long-term relationships with large accounts. This initiative would require long-term support through funding, engagement and enterprise-wide commitment. In this case, the approach was not to sell the executives on the virtues of SAM but to identify their willingness to embrace SAM and solicit opinions as to how to build an effective program, so that the majority of executives supported SAM.

The consultants interviewed more than 20 Hilton senior executives who represented various disciplines, such as marketing, brand teams, legal, finance, human relations and sales (including corporate, regional and property unit levels). In conducting the interviews, the consultants had the following three goals:

1. Give a brief introduction of SAM principles;
2. Solicit each executive's answers to the interview questions; and
3. Capture any ad-hoc comments, observations or questions.

Interviews were scheduled to last 30 minutes, but many lasted twice that long. Many executives were excited that Hilton was considering implementing

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SAM, and several commented that with the continued growth of Hilton, it was the right time to take a new approach in selling and working with customers.

Interview categories included:

- Proposed value proposition;
- Goal setting;
- Competitors' strengths and weaknesses;
- How to achieve competitive advantage;
- Perceived obstacles to implementation;
- Account selection criteria;
- Communication expectations;
- Timeline for implementation;
- Training needs;
- Technology support;
- Success factors; and
- Exit strategy.

Research results confirmed that senior leadership supported the SAM approach:

- 94 percent of executives interviewed gave unqualified support to the SAM approach.
- 3 percent wanted to see a copy of the draft plan before giving full support.
- 3 percent supported the SAM approach as long as necessary resources and leadership support were built into the plan.

Once research was completed, the results were reported to senior executives via a conference call moderated by the Hilton SAM leader and the consultant. The call discussed customer feedback and identified themes from internal interviews. It was clear that the business case for SAM was solid and based on feedback from the two most important groups for any successful SAM program: customers and senior executives.

Key finding No. 3: scorecard development for SAM at Hilton

Hilton has been using balanced scorecard for many years. This management system enables organizations to clarify strategy, translate it into action and measure performance against action items.

As referenced in the groundbreaking book *The Balanced Scorecard*¹, a balanced view of a company's performance must assess four interdependent perspectives:

1. Financial
2. Customer
3. Internal business processes
4. Learning and growth

As the new SAM team was installed at Hilton, the implementation strategy had to include direct ties to the scorecard Hilton had in place at the time. Both

the Hilton leadership team and the consultant felt it necessary to integrate SAM into the company scorecard to make sure SAM would not be merely an extraneous sales activity that was not connected to Hilton's day-to-day focus. The challenge was that the SAM strategy focused on high-level, B2B, enterprise-wide initiatives, not transaction-focused activities.

Working closely with the lead sponsor for the SAM team and the individuals who managed the scorecard for the rest of the company, the consultant developed integration points that made sense for the SAM strategy and were tied directly to the company scorecard. The result was a SAM scorecard with the following key components:

- **Financial:** Increase share of the customer's business (while accounting for increases in Hilton's product inventory) and increase desired share of the customer's business.
 - **Customer loyalty:** Use a third party to evaluate customer satisfaction in key performance categories.
 - **Internal business processes:** Implement account specific, enterprise-wide action items to support the above items.
 - **Learning and growth:** Conduct ongoing SAM training and sharing of best practices.
- Challenges that surfaced during this part of the SAM implementation included:
- Integrating the SAM scorecard into technology that did not recognize SAM activities (process, language, methodology);
 - Taking time to educate stakeholders on SAM concepts to garner their help in customizing the scorecard to include SAM activities (e.g., HR, finance, IT); and

- Setting the right benchmarks for the first year without reliable comparison data.

Postscript

At the conclusion of the first full year of SAM at Hilton, the results spoke for themselves. Based on a third-party survey of clients involved in consultative selling, customer satisfaction at the start of the program in January 2005 rated at 3.2 on a five-point scale, but by year's end had risen to 3.95. So the strategy is working.



THE RESEARCH VALIDATED THAT CUSTOMERS WANTED A SAM-LIKE APPROACH.

Words of wisdom

The key to a successful SAM program launch lies in the ability to have an effective communication plan with all levels of the organization and with clients. We cannot overemphasize the need for a good communications plan. Hilton made a substantial investment to launch a SAM program. During the first year and even today there is a constant need to educate leadership and constituents about SAM.

Even more importantly, the immediate return from a SAM program is often not immediately evident, in contrast to the returns normally seen from a new sales initiative. The program's internal champions took every opportunity to share news of SAM activities and beat

a drum for even the smallest of wins. Through quarterly updates, presentations, brand meetings, internal training meetings and any opportunity available, getting the word out is imperative at the early stages of a SAM implementation.

As the number of activities by the SAM team increases, capturing and sharing of best practices becomes an important way of life. It can be difficult to separate the right activities from the pressing activities. Looking for ways to refine processes and replicate best approaches with other accounts while considering the idiosyncrasies of each account's culture can be nerve-wracking for SAM team members. Credibility at all levels of the organization is established in time as proof that the SAM team is adding value to the company and to clients.

In a corporate culture such as Hilton's, where strong emphasis is placed on the operational viewpoint, it can be difficult to sustain support for unproven initiatives that may take months and sometimes years (instead of days or weeks) to implement. The SAM team has learned that by keeping senior executives engaged, telling success stories tied to the company scorecard and consistently referencing why the SAM approach is a client-focused strategy, the first year of SAM at Hilton has by all measures been a success. 

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¹ Kaplan and Norton, Harvard Business School Press, 1996.