Key account programs often fail to meet revenue growth expectations. This research shows how chief sales officers can break this trend through enterprise-driven key account selection and planning, key customer partnership calibration discussions and performance-based retiering for mutual value.
Overview

By their nature, key accounts are a top priority for CEOs and chief sales officers (CSOs). CSOs tend to double-down on key account growth by allocating more resources to their largest accounts, hoping that will help them attain a higher growth rate relative to other accounts. But this “biggest customers get the best resources” approach is failing. Most CSOs agree that current key account strategies and approaches are falling short.

Our data reveals that this underperformance contributes to a frustrating cycle of key account program rebuilding. To escape this cycle, CSOs should transform their key account management programs from a sales-centric priority to an enterprise-driven approach encompassing selection and planning, key customer partnership calibration discussions and performance-based retiering for mutual value.

Key Findings

• Nearly four out of five sales organizations experience the frustrating cycle of rebuilding their key account programs every few years to address consistent underperformance.

• Sales organizations’ typical approach of selecting key accounts based on current size and spend does not improve the likelihood of increased customer spend. However, key accounts selected based on both willingness to partner and future spend tend to see an 8% increase in customer spend.

• Key customer spend at suppliers with high levels of cross-functional collaboration is more than double that at suppliers with lower levels of cross-functional collaboration.

• The winning element for unlocking growth from key accounts is developing a clear understanding of what it means to create an “enterprise key account” — an iterative process involving sales, the rest of the supplier organization and the customer.
The Problem: High Expectations Meet Struggling Strategies

Although key accounts are a recognized priority for CSOs in most sales organizations, a surprising gap exists between CSO expectations and reality:

- **The expectation** — Ninety-five percent of CSOs expect a higher growth rate from key accounts relative to other accounts.

- **The reality** — Sixty-eight percent of key account managers (KAMs) say their organizational practices are ineffective at growing key account partnerships, and 58% of organizations fail to achieve their quotas for key accounts.

Despite consistent and costly efforts to grow key accounts, concerns about key account performance persist. Seventy-nine percent of sales organizations have rebuilt their key account programs at least once in the past seven years to address underperformance (see Figure 1).

**Figure 1: Frequency of Rebuilding Key Account Programs in the Past Seven Years Due to Underperformance**

- None: 21%
- Once: 33%
- Twice or More: 46%

Source: Gartner

Q: In the past seven years, how many times has your organization rebuilt its approach for managing key accounts due to underperformance?

Source: 2021 Gartner Key Account Benchmarking Survey

n = 24 organizations
The Cause: Three Big Problems With Key Account Strategies Today

The challenges organizations continue to face reveal that traditional key account management principles are broken. CSOs need to transform the way key accounts are viewed and managed within the broader organization.

1. Big Accounts Don’t Always Make the Best Key Accounts

During key account selection, CSOs tend to designate their largest accounts as key accounts, and any factors beyond spend, such as strategic relevance or customer willingness to partner, take a lower priority. Account spend (current and future) and company size ranked among the three most important key account selection criteria (see Figure 2).

Figure 2: Frequently Used Key Account Selection Criteria

<table>
<thead>
<tr>
<th>Percentage of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account spend and size are most often ranked among the top selection criteria.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Spend</td>
<td>79%</td>
</tr>
<tr>
<td>Future Spend</td>
<td>74%</td>
</tr>
<tr>
<td>Company Size</td>
<td>71%</td>
</tr>
<tr>
<td>Willingness to Partner</td>
<td>46%</td>
</tr>
<tr>
<td>Ready to Change</td>
<td>19%</td>
</tr>
<tr>
<td>Predicted Cost to Serve</td>
<td>13%</td>
</tr>
</tbody>
</table>

n = 372 KAMs
Source: 2021 Gartner Key Account Benchmarking Survey
Note: We asked respondents how their organizations ranked the above criteria in selecting key accounts.
When organizations select key accounts based on spend and company size, they assume that past performance is an accurate proxy for potential growth. But, similar to stock selection for a financial portfolio, the past is not always a reliable indicator of continued growth.

We found that prioritizing current customer spend as a key account selection criterion actually reduces the likelihood of increased spend (see Figure 3).

Organizations that lean heavily on current customer spend as a metric for selecting key accounts are 51% less likely to see increased customer spend.

This throttling of key account growth may be the result of a customer having high current spend but only through one product or service. Alternatively, if high current spend involves complex needs and multiple solutions, there’s no guarantee the customer’s goals will align with the goals of the key account program.

Figure 3: Impact of Common Key Account Selection Criteria on Likelihood of Increased Customer Spend

<table>
<thead>
<tr>
<th>Percentage of KAMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>-60%</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>60%</td>
</tr>
</tbody>
</table>

-51%

Current Spend  Company Size  Future Spend

n = 372 KAMs
Source: 2021 Gartner Key Account Benchmarking Survey
Note: To calculate impact, we used logistic
2. KAMs Cannot Do Everything on Their Own

Given that key accounts are a crucial source of revenue and are often the largest customers, sales organizations understandably task their best people with managing them. On average, KAMs are responsible for seven to eight key accounts. These KAMs are expected to provide dedicated support to execute customer strategies by devoting a substantial amount of time coordinating within the supplier organization to garner internal resources and rally support.

The great expectations for key accounts also apply to KAMs, with 82% of CSOs viewing KAMs as equally or more important than the overall key account program to increasing revenue (see Figure 4).

Surprisingly, we find that 76% of these KAMs primarily rely on their personal relationships with colleagues — as opposed to their own formal authority or processes defined by the supplier organization — to secure cross-functional resources.
3. Key Account Resources Are Wasted

Key accounts are not just the biggest accounts; they are also the biggest bets for disproportionate growth. Which is why CSOs devote their best resources to the biggest accounts, in addition to the best people. Organizations are willing to dedicate resources such as dedicated account managers, subject matter experts, senior executive access, business consulting and proprietary technology specifically to key accounts. But it’s important to note that each of these resources has an associated cost — not just the cost of providing the resource but also the opportunity cost of not investing that resource in another account.

While CSOs assume that providing the most expensive resources and the best people to their biggest accounts is the winning formula to derive growth, the reality is very different. We found that key customers do not find equal value in all these resources, and are thus underutilizing them.

Only 16% of the 372 KAMs we surveyed described their key customers as fully utilizing dedicated resources.
A New Path Forward

CSOs should use four guiding questions as a roadmap for (re)building their key account programs to drive growth in the short- and long-term (see Figure 5):

• What do we mean by “key” account?
• How do we align with the enterprise in managing key accounts?
• How should we partner with key customers?
• How do we maintain key account program performance?

Figure 5: Guiding Questions for (Re)building a Key Account Program

When sales organizations manage key accounts with an enterprisewide programmatic approach, CSOs and their sales teams will be on the same page as with the broader organization in answering these four questions. This change in perspective — from a sales-centric approach to an enterprise-centric approach — achieves clear results in terms of increased customer retention and spend, better internal collaboration, and improved key account program returns.

The answers to these four questions help CSOs identify the four shifts in key account management principles for which they need to push.
1. What Do We Mean by “Key Accounts”?
A sales-centric approach to designing key account selection criteria often leads to an unintentionally shallow view of what makes a “good” key account. This approach may place too much importance on current performance and company size. It therefore results in selecting key accounts that the rest of the supplier organization is reluctant to support because of their relatively low strategic alignment.

Prioritize Potential Over Current Size and Spend
Organizations that don't rely on company size and current spend, instead selecting key accounts based on willingness to partner and future spend, tend to see an 8% increase in customer spend (see Figure 6). These two criteria, in combination, demonstrate the criticality of using both qualitative and future-focused quantitative criteria when evaluating key account potential.

Figure 6: Percentage of Increased Customer Spend by Selection Criteria

- 0%
- 5%
- 10%
- 0.2%
- 8.0%

n = 111 KAMs
Source: 2021 Gartner Key Account Benchmarking Survey
Note: Percentages represent median increase in spend.
2. How Do We Align the Enterprise in Managing Key Accounts?

Relying on one-off interactions between KAMs and their internal cross-functional colleagues limits timely identification of “unknown unknowns” and areas of disagreement regarding the management of key accounts. This limitation creates unanticipated risks that impact key account performance and, ultimately, drive down client retention.

Iteratively Engage With Cross-Functional Stakeholders

To better assess a key account’s fit with the supplier organization, CSOs must collaborate with leaders in other functions early in the selection process. Doing so not only improves sales’ understanding of what other functions value in key accounts but also fosters a sense of co-ownership of key accounts among the other functions. This approach also gives the rest of the organization a chance to influence the selection methodology at the outset. A major benefit for CSOs and their teams is that cross-functional leaders become more committed to key account program success — and to materially supporting key accounts later — when they help select the best-fit “enterprise key accounts” for the organization.
While cross-functional collaboration is critical in the selection process, it must also continue beyond the selection process. Continuous collaboration within the enterprise makes it easier for KAMs to execute growth strategies by setting realistic growth expectations with stakeholders throughout the enterprise and gathering organizational support.

We found that high levels of cross-functional collaboration increase the amount of key customer spend by 215% more than poor to mediocre levels of collaboration (see Figure 7).

High levels of cross-functional collaboration essentially translate to KAMs having easier access to relevant specialists and receiving proactive input from cross-functional stakeholders on growing key accounts. This direct collaboration is rooted in colleagues’ beliefs that the success of key account relationships will ultimately be a success for themselves and the enterprise.
3. How Should We Partner With Key Customers?

Most sales organizations have limited insight into what drives healthy partnerships with key customers. This leads them to target partnerships with customers they have long-standing customer relationships with, in the hope that investing more in these well-established relationships will increase customer spend. However, when looking at different ways of partnering with customers, we found that a long-standing relationship with suppliers actually has a negative impact on driving increased customer spend, resulting in a 50% lower likelihood (see Figure 8).

Many key account programs perform poorly because suppliers’ and customers’ expectations are mismatched. Over time, customers selected for key account status cannot (or do not) live up to supplier expectations. Customers enter into a key account relationship seeking more resources and support over time from the supplier but fail to deliver on their end of the partnership.

Figure 8: Customer-Strategy-Related Drivers of Likelihood of Increased Customer Spend

- 4.2x: Supplier Incorporation of Market Insights Into Customer’s Strategic Planning
- 3.5x: Customer Stakeholder Articulation of Organizational Strategy
- -0.5x: Long Relationship With Supplier

n = 564 key customers
Source: 2021 Gartner B2B Key Customer Survey
Note: Logistic regression controls for industry. Supplier insights measured by statement: “Supplier helps us incorporate their insights about market trends into our strategic planning discussions.” Customer stakeholder articulation measured by statement: “Internal stakeholders at our organization can clearly articulate our own organization’s strategy.”
Jointly Calibrate Partnerships With Customers

Instead of leaning on long-standing relationships to grow business, CSOs should work on partnering with the “right” key customers in the following two ways to spark growth:

- **Add value to the customer’s strategic planning.** Suppliers are three to four times more likely to see increased customer spend when they incorporate market insights into a key customer’s strategic plan and help customer stakeholders clearly articulate their own organizational strategies (see Figure 8 on previous page). Adding value to the customer’s strategic planning increases the customer’s confidence in the supplier partnership and thus promotes a healthier relationship.

- **Objectively evaluate partnership opportunities and limitations.** To break the pattern of mismatched customer-supplier expectations, sales teams must collaborate with customers before committing to a deep partnership, specifically by jointly identifying and agreeing on the right level of partnership. This collaboration process enables suppliers to accurately align relationship investments with different types of key account partnerships, maximizing the returns on scarce resources. Organizations that often or always test large accounts for partnership potential before upgrading them to key account status are three times more likely to see high quota attainment compared to those that don’t (see Figure 9). Systematically testing account potential reduces the risk of wasted key account investments by surfacing and testing the assumptions each party has before commitments are made.

Figure 9: Impact of Frequent Partnership Potential Testing on Likelihood of High Quota Attainment*

![Figure 9](image_url)

*We asked respondents how often their organizations test large accounts before upgrading them to key account status.

n = 119 KAMs

Source: 2021 Gartner Key Account Benchmarking Survey
4. How Do We Maintain Key Account Program Performance?

Sales organizations often find the profitability of their key account programs diminishes over time, and customer relationships wane as a result of internal and external changes. This causes key accounts within the program to gradually become less efficient, and their growth stagnates. But many KAMs and CSOs are anxious that downtiering a key account may result in that customer discontinuing the relationship entirely.

Investing in the right set of key accounts is one of the largest factors influencing key account program profitability. But certain assumptions lead supplier organizations to continue spending more on underperforming accounts and prevent them from changing their key account portfolios based on account performance (see Figure 10).
Proactively Reevaluate Key Accounts
The incorrect supplier assumptions shown in Figure 10 explain why only 32% of KAMs said their organizations have reduced the resources dedicated to underperforming accounts.

Among KAMs whose organizations have indeed reduced resources due to account underperformance, 41% agree that doing so has contributed to a healthier key account portfolio.

From a Collection of Accounts to a True Key Account Program
To achieve the critical shifts in key account management indicated by the answers to the questions above, CSOs must reframe the way their organizations think about key accounts by leveraging real-world examples from peer organizations (see Figure 11).

Shifts 1 and 2: Select and Manage Enterprise Key Accounts
For key customer relationships to grow, they must be supported by a web of internal relationships within the supplier organization. Most KAMs rely too much on their personal relationships with colleagues to garner support. However, reliance on individual KAMs to build and leverage informal relationships results in significant variability in the level of support from the rest of the organization — and, ultimately, significant variability in the customer experience. Many parts of the supplier organization may be unaware, unwilling or unable to provide critical support to key accounts.

To achieve sustained growth from key accounts, the CSO should instead partner with the rest of the organization in a formal, iterative way to co-create enterprise-driven key account selection criteria and manage enterprise key accounts.
Case in Point: ABB

By fully engaging cross-functional leaders in the most critical decisions about key accounts, ABB effectively turns these accounts into a priority for the entire enterprise, not just the sales function. ABB’s CSO reported higher revenue growth from the key account program after implementing this cross-functional collaboration strategy. And key account program revenue doubled within four years of implementing the practice.

The three crucial components of ABB’s enterprise-centric approach to owning and managing its key account program are:

**Collaborative design of the selection criteria** — ABB’s key account leadership team leverages early cross-functional input to develop comprehensive and business-centric selection criteria, beyond immediate revenue, to identify the best-fit key accounts for the enterprise. The team evaluates cross-functional feedback and iterates until it is satisfied the selection criteria clear a four-part litmus test of being forward-looking, multidimensional, enterprise-aligned and market-aligned.

**Targeted cross-functional dialogue** — ABB’s key account team conducts targeted dialogue with cross-functional leaders at two crucial junctures in key account decision making that are distinct from conversations about selection criteria:

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- **Key account selection.** KAMs jointly calibrate potential accounts with cross-functional leaders to create a unified view of customer accounts that are key for the enterprise, and to surface objections and possible roadblocks in servicing the accounts.

- **Key account resourcing.** KAMs assess and secure cross-functional leaders’ commitment to provide resources based on the key account growth plan.

**Technology-enabled resourcing accountability** — ABB’s KAMs leverage the CRM system to share ownership of key account outcomes, generate accountability for key account resourcing and proactively manage common resourcing roadblocks.

Read the full case study here: Case Study: Stronger Support for Key Account Programs Through Cross-Functional Collaboration.
Shift 3: Assess Partnership Compatibility With the Customer

While certain indicators of key customers’ partnership potential are easy to identify, numerous other indicators cannot easily be assessed independently by suppliers at the beginning of the relationship. However, these uncertain account characteristics are typically the best indicators of key customers’ willingness to engage with the supplier on long-term mutual growth opportunities.

To allocate time and resources to key accounts that would yield commensurate returns, suppliers can partner with customers to jointly identify and align their understandings of the nature and level of partnership.

Case in Point: TwoGrids*

TwoGrids* openly calibrates partnership expectations with each key customer and deploys supplier resources at a level consistent with a mutually valuable engagement plan. By adopting this approach, it reduced the time required to achieve returns on key account partnerships by 50%. The calibration exercise comprises four steps:

1. **Explore partnership potential.** Teams of representatives from TwoGrids* and the customer meet separately to systematically surface partnership goals and expectations. Both teams then come together to explore potential opportunities of aligned interest. This step protects suppliers from investing scarce resources in an asymmetrical relationship in which customers underutilize resources.

2. **Assess organizational compatibility.** TwoGrids* and the customer jointly assess their organizations’ mutual compatibility to anticipate the likelihood of realizing partnership goals and expectations.

3. **Align on the partnership level:** TwoGrids* and the customer jointly identify and align on the optimal partnership level based on partnership potential and organizational compatibility. TwoGrids* openly communicates the identified partnership level to the customer, regardless of whether it’s a transactional or high-level partnership.

4. **Delineate partnership investments.** TwoGrids* allocates its scarce and valuable resources to best match partnership expectations and communicates this internally to minimize the risk of creating an inconsistent key customer experience.

Read the full case study here: Case Study: Co-create Key Account Partnership Expectations to Improve ROI.
Shift 4: Proactively Retier Accounts for Mutual Value

When key accounts are unable or unwilling to live up to engagement and performance standards but continue to consume costly resources, suppliers must review those accounts’ eligibility for key account status. However, these supplier decisions are easier said than done.

To manage such underperforming accounts, suppliers should proactively reframe customers’ preconceived notions about getting moved to a lower tier, casting it as a mutually beneficial realignment of supplier resources. This will help them successfully maintain a dynamic and profitable key account portfolio.

Case in Point: Verisk

Verisk’s proactive and transparent approach to tackling partnership challenges paves the way for smooth implementation of retiering decisions while sustaining customer relationships. Verisk maintains a profitable key account portfolio by regularly reallocating resources from accounts that are not meeting agreed-on partnership expectations and strategically engaging accounts with greater performance potential. It does so via three steps:

1. **Mutually agreeable partnership appraisal** — Verisk co-develops partnership expectations with the customer at the onset and shares requirements for continued key account status. At the first sign of these co-developed goals not being met, Verisk actively engages with the customer to develop actions that, if not implemented, may lead to a reevaluation of the partnership.

2. **Relationship reset communication** — Verisk choreographs resource withdrawal conversations with accounts moved down from the topmost tier. It carefully demonstrates how retiering is a relationship reset and enables the realignment of supplier resources to better meet customers’ needs and goals.

3. **Key account reselection strategy** — Verisk rebuilds a customer’s key account status readiness by establishing peer connections with current key customers and co-creating an action plan to help the customer address shortfalls in partnership eligibility.

Read the full case study here: Performance-Based Key Account (Re)Tiering Strategy (Verisk)
Conclusion
A programmatic approach to key account management is centered around internal and external alignment on the meaning of being a key account. As CSOs (re)build their approaches to key account management, they must ensure their partners in the supplier organization are not dragging their feet along in the journey and are instead co-owners of key accounts and their performance. This enterprise approach promotes more efficient usage of organizational resources. It also creates better customer impact through deeper customer collaboration in driving mutual value — ultimately a win-win situation for both suppliers and customers.

Recommendations
CSOs seeking to (re)build their key account programs should:

• Establish enterprise-driven key account selection criteria by collaborating with cross-functional stakeholders and evaluating potential accounts through quantitative and qualitative indicators of strategic relevance and future growth potential.

• Collaborate with cross-functional stakeholders in owning and managing key accounts, especially during key decision-making points such as account evaluation and key account resourcing, to ensure ongoing organizational support for KAMs in executing growth strategies.

• Jointly assess partnership expectations with the customer to set realistic key account relationship expectations and calibrate goals and investments accordingly.

• Regularly assess the key account portfolio to ensure ongoing prioritization of beneficial relationships and timely deselection of underperforming key accounts.
About This Research

We surveyed over 600 key customers on their experiences working with a key supplier and the value they gained from the business relationship. We conducted a survey of over 350 KAMs to understand how their organizations manage their most important accounts. We also surveyed 69 CSOs to understand the top strategic priorities for their organizations and interviewed 64 sales leaders on their strategies and tactics for driving growth in their key accounts.

The organizations profiled in this research are provided for illustrative purposes only and do not constitute an exhaustive list of examples in this field nor an endorsement by Gartner of the organization or its offerings.
Actionable, objective insight

Explore these additional complimentary resources and tools on key accounts:

Article
3 Steps to Identifying Key Accounts
Identify and prioritize the highest-potential relationships with this process for measuring key account value.

Webinar
Answer the Critical Questions to Unlock Key Account Growth
Learn how peer organizations overcome growth challenges in key account programs.

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