Gartner for Sales Leaders

Why Accounts Aren't Growing, and What to Do About It

Over the past three years, sales teams' portfolios have more than doubled, but growth in existing accounts has been disappointing. New research conducted with more than 600 account managers and 700 B2B buyers reveals why the traditional account management model and mindset may actually stunt account growth — and what to do instead.

Contents

Disappointing Account Growth

In our thousands of interactions with sales leaders over recent years, we have frequently heard frustration with disappointing revenue growth from existing customers. Across our membership, only 28% of sales leaders report that account management channels regularly meet their crossselling and account growth targets. As one sales VP put it, “the potential for cross-sell and portfolio expansion with our clients has never been higher, but we just can’t seem to execute.”

This feeling of genuine puzzlement makes sense when you consider the broader trends that would seem to make account growth targets easier to achieve. As part of the broader move to solution sales, many organizations have expanded their product and service sets; on average, sales leaders report a 2.3x increase in the size of their sales teams’ portfolio over the past three years.

In theory at least, these more expansive portfolios should drive not just new business acquisition but also growth among existing customers, as each new product or service represents a new avenue to penetrate existing accounts, and each sale should boost the stickiness of customer relationships through higher switching costs. At the same time, existing customers should be easier to sell to, as there’s already a relationship in place. It’s no surprise then that just over three-quarters of surveyed sales leaders report that expectations for cross-selling newly acquired or newly developed solutions has increased over just the past three years. Yet actual growth among existing customers has fallen short of these expectations.

Why have these conditions so far failed to produce growth — and what can be done to fix it?

The Challenge of Account Growth

The answer to that question begins with the nature of the account manager role. Regardless of whether an account manager is tasked with pursuing a growth opportunity within an account or handing it off to a hunter, the account manager is still on the hook for identifying the opportunity in the first place. If the account manager is unable or unwilling to identify those growth opportunities, the entire existing customer growth engine stalls out.

Yet when we look at the entirety of an account manager's responsibilities, it shouldn't be a surprise that certain tasks, such as identifying growth opportunities, fall by the wayside. While the hunters of the sales force can focus their energies on selling, account managers have to cover a broad range of activities. They are expected to provide service, resolve issues, and maximize consumption and ROI — all while selling additional new products and services. Granted, they may have customer service and sales teams to help them, but account managers are nonetheless connected to all these diverse activities, and even the act of coordinating all the support can be a job in itself. That's a lot to juggle, especially if there are multiple accounts to serve. Thus, certain responsibilities are inevitably deprioritized.

In addition to the issue of time, there is a skill challenge. Identifying an opportunity and strategically positioning an upsell require a vastly different skill set from that required to coordinate resources internally to quickly resolve a customer issue. Finding the seller who is equally adept at each facet of the account management role is extremely difficult, if not impossible. In practice, account managers typically gravitate toward their strengths — generally to the center and left of the diagram in Figure 1.

Figure 1: Account Managers Juggle a Broad Range of Responsibilities

Account Management Responsibilities

Customer service and support	Consumption/value	Account growth
• Responding to customer issues and providing service support • Incentivized on speed and time to resolution	• Encouraging product/service consumption and maximizing value of purchase(s) • Incentivized on customer retention/renewal	• Selling additional and new products/services • Incentivized on net revenue growth

Responsibility Span by Role

Source: Gartner

a Farmers are sellers with account management and, possibly, new business/sales responsibilities.

b Hunters are sellers with new business/acquisition/sales responsibilities only.

Even as they prioritize customer service and support at the expense of growth, sellers still feel confident that they are doing a good job because such responsibilities comprise the bulk of an already expansive role.

However, while the difficulty created by the broad scope of the account manager role can partially explain disappointing account growth, it doesn't tell the full story. The fact that account managers can justifiably focus on the service and retention aspect of their job does not explain why they choose to.

Why is it that account managers gravitate toward the service and retention side of the job at the expense of identifying and pursuing growth opportunities?

An Anti-Shrinkage System

As it turns out, the systems that many sales organizations have put in place to support account management teams inadvertently permit and even reinforce the natural inclination of many account managers to gravitate toward the service and retention side of the job. In fact, the account management paradigm at many sales organizations is oriented not toward encouraging growth but toward discouraging the loss of business already won, which inadvertently allows account managers to prioritize the retention of existing customers over the expansion of account spend. We call this an **anti-shrinkage system**.

Metrics allow sellers to opt out of growth

Of the nearly 700 account managers we surveyed, 49% are measured by a single revenue goal that makes no distinction between retention and growth. For these account managers, there's little incentive to pursue the harder task of growth. Granted, some quotas are designed to make it impossible for sellers to hit their goal without at least some account growth, but this only means that sellers typically look to account growth as a last resort, if at all. In fact, many account managers simply redouble their efforts to renew long-shot customers rather than pursuing additional opportunities.

For those account managers whose quota does specify a growth goal, the median proportion of their overall goal specifically assigned to growth is only 9%. This relatively modest proportion of quota assigned to growth is commensurate with the relatively modest amount of attention account managers pay to it. If 91% of a seller's quota can be attained through retention efforts, that is where account managers are likely to spend their time.

Of course, all this presumes that sellers actually understand their compensation. But only 24% of surveyed sellers agreed that they can easily calculate their total variable compensation. Taken together, metrics and compensation for account managers generally do little to overcome their inclination toward retention and renewal rather than growth.

The account management paradigm at many sales organizations is oriented not toward encouraging growth, but rather, toward discouraging the loss of business already won, which inadvertently allows account managers to prioritize the retention of existing customers over the expansion of account spend. We call this an anti-shrinkage system.

Account managers are more risk-averse

To better understand how the anti-shrinkage system impacts seller behavior with regard to risk, consider the difference between retention and growth. Retention, renewal and repurchase are about getting customers to commit to doing the same thing again, whereas growth through the sale of new or additional products is about convincing customers to do things differently than they have in the past. These are very different conversations.

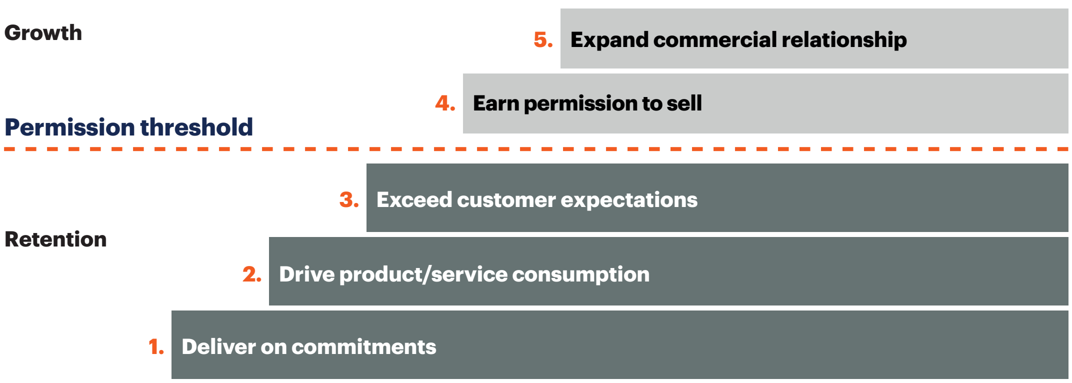
If handled poorly or indelicately, seeking growth with an existing customer could damage all the hard work the account manager has invested in building relationships and trust with the customer. If driving retention is about maintaining customers' status quo, and driving growth is about encouraging customers to embrace change, then the two seem to naturally work at cross-purposes. Sellers find it difficult to balance the competing demands of seeking growth with a message of change while simultaneously aiming to convince customers of renewing the status quo. This tension is crucial because, in an anti-shrinkage system, the one thing worse than failing to grow a customer account is failing to keep it altogether.

Aversion to this risk is clearly evident among account managers. We asked every surveyed sales rep — hunters and farmers — to provide their demonstrated, historical conversion rate for new opportunities across the past year. We then asked them to consider a growth opportunity big enough to merit their attention and provide the minimum conversion rate they would require to make that opportunity worth pursuing. We found that account managers require, on average, a conversion rate six percentage points higher than their own historical average in order to consider the growth opportunity worth their time and attention. In contrast, hunters reported that they would be willing to pursue that opportunity even if its potential conversion was an average of six percentage points lower than their own historical average. This is understandable in some respects because pure hunters have nothing to lose by pursuing an opportunity, but it is also clear that the anti-shrinkage system for account managers has left them with a lower tolerance for risk in pursuing growth opportunities.

Account managers believe above-and-beyond service increases likelihood of account growth

The final component of the anti-shrinkage system is the prevailing mindset within account management that service drives growth. The vast majority of account managers we surveyed (88%) believe that providing above-and-beyond customer service is the surest way to ultimately drive growth. This mindset translates into a concrete order of actions for sellers that is depicted in Figure 2 below.

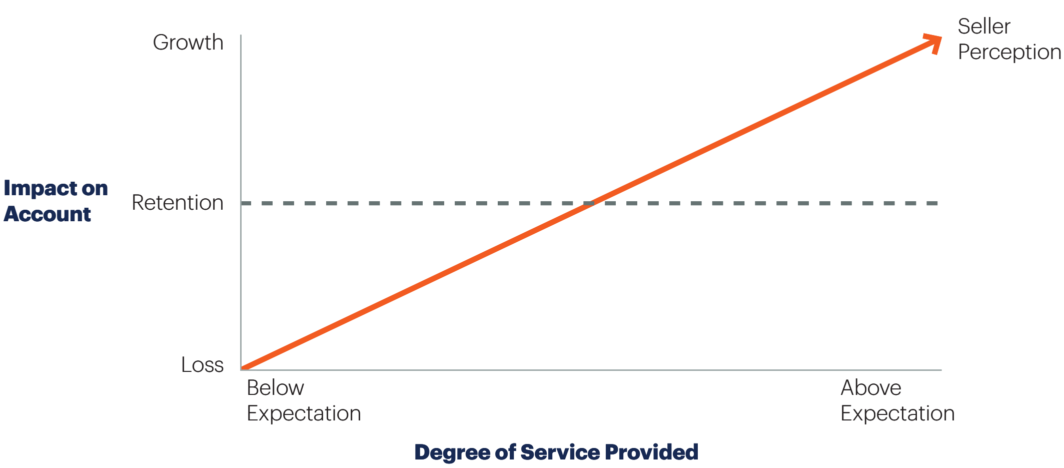
Figure 2: Traditional Seller Approach to Retention and Growth



Source: Gartner

In this model, meeting commitments, driving value realization, and delivering exemplary service ultimately earn the account manager permission to sell more to an existing customer, and the goodwill developed through that service makes the customer more likely to buy. In practice, however, there's no upper bound to exceeding customer expectations, so sellers often endlessly cycle through steps one to three under the belief that continuing to do so will eventually yield growth. Most account managers simply don't recognize this as a means to avoid growth. Figure 3 depicts this mindset.

Figure 3: Perceived Relationship Between Service and Growth



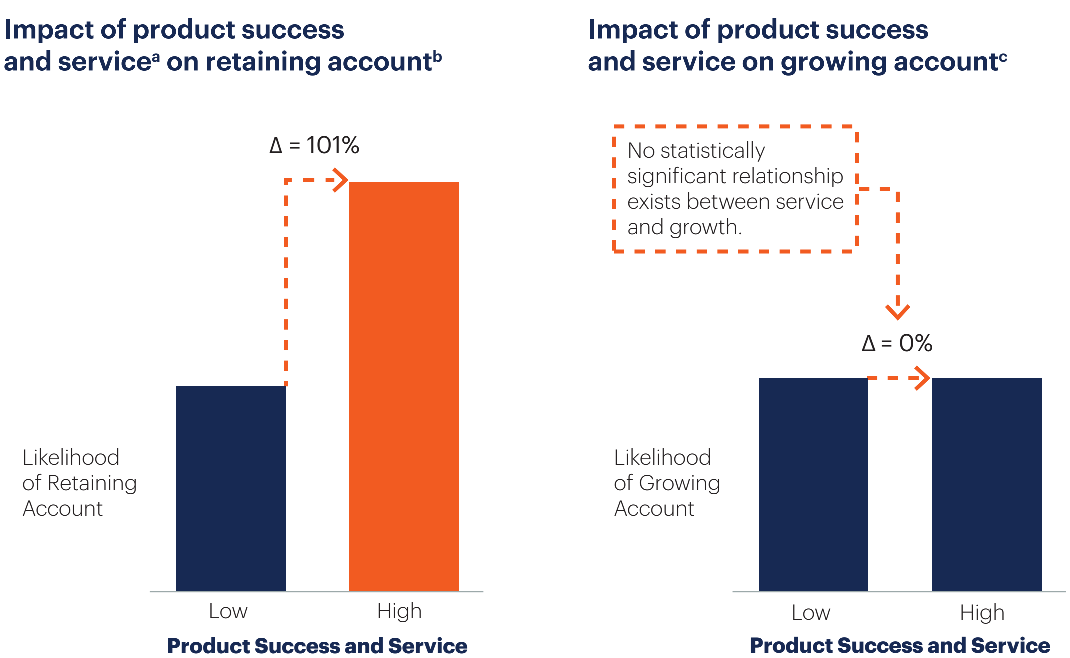
Source: Gartner

Service Doesn't Drive Growth

The reason the anti-shrinkage system so common within account management teams fails to drive growth is simple: Service doesn't drive growth.

We surveyed roughly 750 individual customer stakeholders — all involved in an ongoing B2B relationship with a specific supplier or vendor — to better understand the impact of various account manager activities on customers' likelihood to both retain and grow that supplier relationship over time. We found that while high levels of customer service (defined as resolving supplier performance issues as they arise and helping customers realize the full value of the solution they've purchased) do, in fact, increase the likelihood of customer retention, they have no statistical or meaningful impact on growth. This is depicted in Figure 4 below.

Figure 4: Service Doesn't Drive Growth



n = 745

Source: Gartner

a Product success and service is defined as the account manager focusing on resolving issues and helping customers realize the full value of their purchase(s).

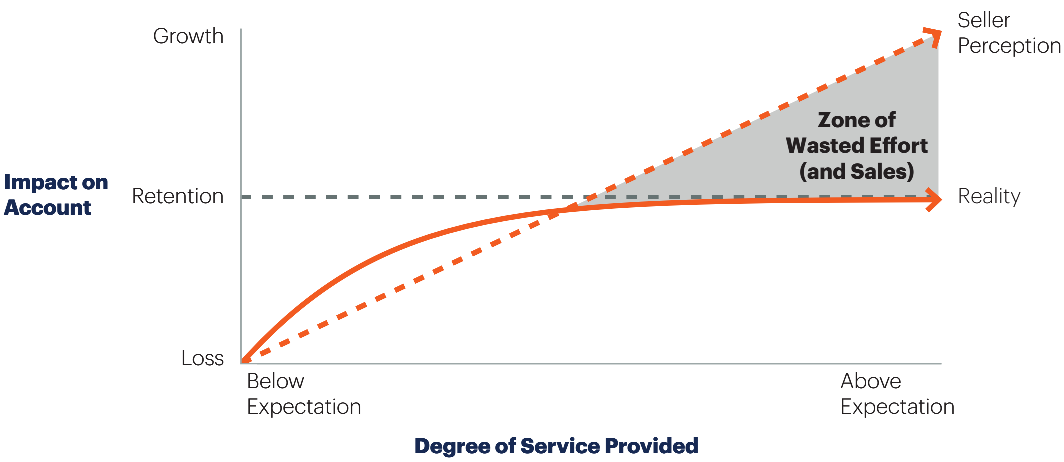
b Retaining account is defined as the customer electing to repurchase from the incumbent supplier for the commercial interaction in question.

c Growing account is defined as 1) the customer purchasing an incremental product or service, 2) the customer purchasing unrelated but net-new products or services, and/or 3) the customer upgrading an existing product or service.

The fact of the matter is that delivering service and driving growth are not the same thing. Yet many organizations have created a culture that encourages account managers' natural inclination to prioritize customer service above all else, even when service levels are already high enough to secure retention. This leads not to growth but to wasted effort as sellers focus on delivering ever higher levels of service in pursuit of an illusory goal. The reality of this anti-shrinkage system, and the "zone of wasted effort" that it creates, is depicted in Figure 5 below.

Figure 5: The Anti-Shrinkage Strategy

Relationship between service and growth



Source: Gartner

If service doesn't drive growth, what does?

The Path to Growth

Using a statistical technique called factor analysis, we were able to identify sets of behaviors that co-present among account managers and then evaluate the impact of those sets of behaviors on the likelihood of account growth.[1] The results of this analysis are depicted in Figure 6.

Figure 6: Impact of Seller Actions on Likelihood of Growing Account

n = 745

Source: Gartner

The first thing that stands out about this chart is that the drivers of growth are much different from the drivers of retention. As we saw earlier (Figure 4), product success and service is a huge driver of retention, but in this chart, it has no statistically significant impact on growth. This is because growth is ultimately about asking the customer to do something differently in the future than they have done in the past. And doing something differently moving forward naturally requires a new decision altogether, not simply a repeat of one made in the past. This decision to do something different often looks just like any other kind of new purchase, requiring a needs analysis, consensus creation, and budget approval. In short, growing an account requires a new sale to an existing customer.

Driving growth

Growth is ultimately about asking the customer to do something differently in the future than they have done in the past. And doing something differently moving forward naturally requires a new decision altogether, not simply a repeat of one made in the past.

1 We define account growth as 1) the customer purchasing incremental products and services, 2) the customer purchasing unrelated products and services, or 3) the customer upgrading an existing product or service.

This dynamic partially explains the impact of confidence in the account team as a driver of growth. B2B solutions sales is a team sport — it often takes a large group of individuals on a sales team to sell to a large group of stakeholders on the buying team. Exposure to the larger account team builds supplier credibility as an organizational partner and suggests that the success or failure of the commercial relationship is not solely dependent on the capability of the account manager. This in turn reduces the perceived risk of the purchase decision, which is key to moving a deal forward.

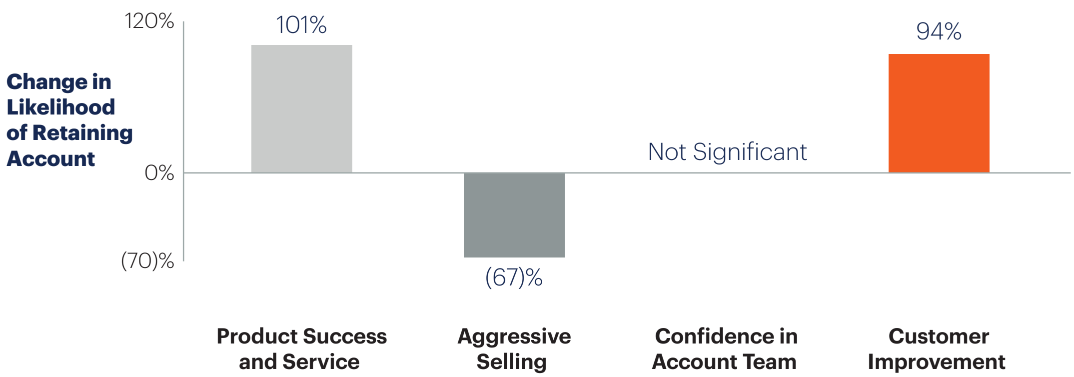
That said, the most striking finding in Figure 6 is that the single biggest driver of account growth is a set of activities we call customer improvement. The account managers most likely to drive incremental growth in existing accounts engage in a specific set of behaviors designed to help customers understand how they might improve their business in ways they had yet to fully appreciate on their own. Customer improvement requires that an account manager provide the customer with a perspective that is not just unique but also constructively critical of how the customer is currently doing things. However, offering a unique, critical perspective is not sufficient on its own: The seller must also lay out a vision for how the customer can improve his or her business in concert with the supplier and provide evidence of the ROI for doing so.

The most crucial feature of customer improvement is a clear focus on the customer and the future, not the supplier and the past. To better understand this aspect of customer improvement, contrast it with product success and service and aggressive selling — factors that focus on the supplier's products rather than the customer yet have no statistically significant impact on growth. Unlike customer success and service, which is largely centered on the provision of supplier value, customer improvement is primarily supplier agnostic: It is focused on the customer's future opportunity, not the supplier's capabilities and the value of products already purchased.

Offense Is the Best Defense

As we discussed earlier, the prevailing mindset among account managers is to focus on securing the base through exemplary service and support and then to pursue growth. Given this mindset, many account managers would understandably be reluctant to pursue customer improvement out of concern that a conversation that highlights what customers could be doing differently will somehow naturally distract from, or even undermine, customers' confidence in what they are doing already. As it turns out, this fear is misguided. Our analysis of the drivers of retention shows that customer improvement is nearly as effective as product success and service at driving account retention, as Figure 7 shows.

Figure 7: Impact of Seller Actions on Likelihood of Retaining Account



- Focused on resolving issues and helping customers realize full value of the purchase
- Was a "go-to" person for the customer

- Aggressively tried to sell customers additional offerings

- Increased customer confidence by exposing them to the broader account team

- Provided customers with unique, critical perspective on improving their business
- Laid out a vision for improving customer's business
- Outlined the ROI of their commercial relationship

n = 745
Source: Gartner

Customer improvement yields almost as great an impact on retention as ensuring customers get maximum value from the solutions they have already bought. If account managers were to go from below-average performance on customer improvement to above-average performance on customer improvement, they would be 94% more likely to retain their current customers.

Gartner®

Customer improvement efforts help retention because the customer that an account manager is servicing is likely being pursued by at least one competitor at the same time. In fact, customers report considering an average of 2.2 suppliers other than the incumbent in the lead-up to a renewal or repurchase decision. Those competitors are almost certainly delivering a message about a brighter future, so if the incumbent account manager is emphasizing the status quo, there is effectively no comparable counterpoint to the competitors' arguments for change.

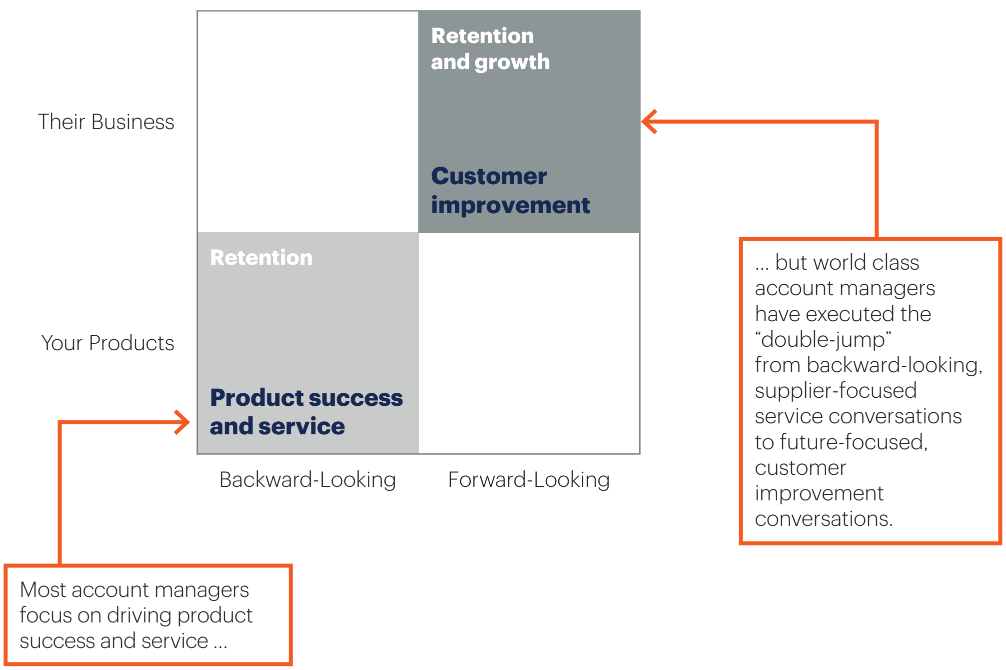
Pursuing a customer improvement approach allows the incumbent to leverage a privileged position and insider knowledge of the account to suggest change and improvement before competitors, thus effectively counteracting competitor efforts. The net result is that customer improvement increases the odds of preventing competitor consideration by 32%. Far from undermining renewal efforts, customer improvement gives customers a powerful reason to continue their commercial relationship with the incumbent supplier.

Closing Thoughts

While most sales organizations have built account management functions that inadvertently reinforce or even encourage the natural inclination of account managers to focus on securing retention through product success and service before pursuing growth, world-class organizations focus on customer improvement. Sellers that practice customer improvement deliver future-focused, supplier-agnostic messages about ways that customers can improve their business, securing both retention and growth, as Figure 8 depicts.

Figure 8: Account Health Model

Illustrative



Source: Gartner

Executing this shift from product success and service to customer improvement requires an organizational commitment to the new approach. Following are some critical actions:

- Enable sellers to drive growth by providing them with tools and support to make identifying and pursuing improvement opportunities easier.
- Measure account health and viability to determine where to direct customer improvement efforts. We have developed an innovative metric for assessing account health.
- Structure and staff account teams to drive customer improvement.
- We can help you benchmark your team structures and compare yourself to best-in-class peers.
- Consider implementing a customer success function to handle the product and service success aspects of the account manager's role.

About Gartner

Gartner, Inc. (NYSE: IT), is the world's leading research and advisory company and a member of the S&P 500. We equip business leaders with indispensable insights, advice and tools to achieve their mission-critical priorities today and build the successful organizations of tomorrow.

Our unmatched combination of expert-led, practitioner-sourced and data-driven research steers clients toward the right decisions on the issues that matter most. We are a trusted advisor and objective resource for more than 15,000 organizations in more than 100 countries — across all major functions, in every industry and enterprise size.

Contact Us

Phone: 1 866 913 8102
Email: salesleaders@gartner.com
Web: gartner.com/go/sales

Gartner®