Returns on Key Accounts: Do the Results Justify the Expenditures?

Arun Sharma & Heiner Evanschitzky

Structured Abstract

Purpose

The use of key accounts has become a mature trend and most industrial firms use this concept in some form. Selling firms establish key account teams to attend to important customers and consolidate their selling activities. Yet despite such increased efforts on behalf of key accounts, insufficient research has quantified the returns on a key account strategy, nor has research firmly established performance differences between key and non-key accounts within a firm. In response to this shortcoming, this study examines returns on key accounts.

Design/methodology/approach

Data was collected from a consulting firm. The data collection started two years after the implementation of the key account program. We collected data on recently acquired customers (within the previous year), at two time periods: year 1 and year 3 (based on company access of data).

Findings

Key accounts perform as well or better than other types of accounts initially. However, in the long term, key accounts are less satisfied, less profitable, and less beneficial for firm growth than other types of accounts. Because the returns to key account expenditures thus appear mixed, firms should be cautious in expanding their key account strategies.

Research implications

We contribute to research in three areas. First, most research on the effectiveness of key accounts refers to the between-firm level, whereas we examine the effect within a single firm. Second, this study examines the temporal aspects of key accounts, namely, what happens to key accounts over time, in comparison with other accounts in a fairly large sample. Third, we consider the survival rates of key accounts versus other types of accounts.

Practical implications

We suggest that firms also need to track their key accounts better, because our results show that key accounts are less satisfied, less profitable, and less beneficial for firm growth than other types of accounts.

Originality/value

Extant research has not examined these issues.

Key words: key account management, returns, satisfaction, revenue growth, profitability, classification of accounts.

Article Classification: Research Article

Introduction

The past three decades have seen a proliferation of key account programs (also referred to as global, strategic, or national accounts). With key account management, firms regard their buyer–seller connection with a long-term, relational perspective and stress the creation, nurturance, and maintenance of stronger ties with customers. Traditional marketing approaches also stress the importance of exchanges and satisfying customer needs, but a key account approach goes further and devotes additional resources to understanding and addressing customer needs, in terms of both product or service needs and decision-making process demands.

The extensive key account research field contains several excellent summaries (e.g., Homburg, Workman, and Jensen, 2002; Richards and Jones, 2009; Weilbaker and Weeks, 1997). However, extant research does not address the outcomes of key account management programs adequately. That is, research often assumes that the effective implementation of key account programs will produce higher levels of profitability, such that when firms implement effective key account strategies, they are more profitable than firms that do not (Homburg et al., 2002; Workman, Homburg, and Jensen, 2003). But do key accounts on their own really lead to higher returns than other sales strategies adopted by a sales organization (Wengler, Ehret, and Saab, 2006)? In particular, we posit that some of the positive association between effective implementations of a key account strategy and firm performance (between-firm measure) may arise because these better performing firms implement their sales strategies more effectively. In this case, they might perform better than other firms because their sales strategies are better—regardless of whether those strategies involve key or regular accounts. To address this issue, we investigate whether different returns accrue from key accounts and other sales strategies, within one firm.

The lack of research on key account outcomes may reflect the complexity of allocating costs to individual customers (e.g., Millman and Lucas, 1998; Shapiro, Rangan, Moriarity, and Ross, 1987; Ward, 1992). Considering firms' inability to implement customer-level accounting (Sharma, 2003), only two studies have examined returns on key accounts at the single firm level: Stevenson (1981) finds that national accounts provide higher returns (compared with other types of accounts) within firms, whereas Dishman and Nitse (2006) indicate that the low margins from national accounts fail to meet internal requirements for returns on investments. Both studies use managerial perceptions of the returns and small samples (not actual sales and profitability data). Because the emergence of large customer databases and declining computing costs have helped firms calculate account-level costs and profitability more easily, we consider it time to revisit the issue. Accordingly, we address a key question: Are the returns from key accounts higher than the returns from other sales strategies? Using sales, profitability, satisfaction, and mortality data from a business-to-business marketing firm, we also derive recommendations for key account managers.

In the next section, we present an overview of key account research, including details about existing measures of returns on key account strategies. After we present our method for collecting key account strategy outcome data from a service firm, we discuss our results and their implications for sales managers; we also consider some further research.

Key Account Management Programs

The impetus for key accounts came from both sales and buying organizations. As firms expanded regionally, nationally, or globally, they found that they were interacting with multiple salespeople, all representing the same selling organization. Buyers then dealt with various

salespeople, who sold different products and services provided by the same firm, in different geographic regions. Buying organizations sought a single point of contact for their interactions with the selling organization and encouraged more customer-focused (rather than product- or geographic-focused) sales organizations. The resulting key account strategies allowed sales firms to devote additional attention to their most important accounts. Modern sales experts thus recommend key or national account management programs for all substantial customers (Richards and Jones, 2009).

Prior research also has defined key accounts more precisely, as those essential customers in business-to-business markets that the selling company identifies as most important and serves using dedicated resources (Workman et al., 2003). In contrast, regular sales accounts (regardless of size) are served by a traditional field-based sales force (Richards and Jones, 2009). That is, key accounts receive special treatment, with directed additional resources, compared with other sales accounts. In turn, key account management is "the performance of additional activities and/or designation of special personnel directed at an organization's most important customers" (Workman et al., 2003, p. 7).

Among the extensive research on key account programs, Weilbaker and Weeks (1997), Homburg et al. (2002), and Richards and Jones (2009) provide good reviews. For example, Homburg et al. (2002) classify research on key account management into three groups, according to its focus: key account managers, key account relationships, or key account management approaches. Most studies focus on the implementation of key account management strategies and include all three aspects (Guesalaga and Johnston, 2010; Richards and Jones, 2009), leading to suggestions for ways to build trust, ensure cooperation, encourage mutual disclosure, pursue micro-segmentation, engage in specific targeting, foster loyalty, and maintain supra-norms that

guide the relationship. Recently, researchers have examined alignment, strategic intent, management orientation, revenue management, and organization intent in key account relationships (Storbacka 2012; Ryals and Davies 2013; Wang and Brennan 2014; Wilson and Woodburn 2014; Tzempelikos and Gounaris 2015; AL-Hussan 2014; Guesalaga 2014). Finally, the forms that specific relationships take, such as just-in-time linkages, strategic alliances, partnerships, membership programs, and customer-focused marketing, have been highlighted in a growing literature stream that calls for more key account–oriented relationships with customers, suppliers, and intermediaries.

Outcomes of Key Accounts

Research into the outcomes of key account management programs is sparse. We summarize this research area in Table 1; in our discussion of these studies, we start by examining customer attitudes toward key accounts, followed by existing sales and profitability measures.

Customer Attitudes Toward Key Accounts

Although we find some research on customer attitudes toward key accounts specifically, more common are studies on customer attitudes toward long-term relationships and large customers. Because most key accounts are large and/or long-term relationships, such research also is relevant to our context. For example, it indicates an insignificant or negative correlation between relationship length and behavioral and attitudinal measures (e.g., Crosby and Stephens, 1987). Kumar, Scheer, and Steenkamp (1995) find no significant relationship between relationship age and relationship quality, nor do Lusch and Brown (1996) uncover any significant association between relationship length and a long-term orientation or greater use of

explicit/normative contracts. Grayson and Ambler (1999), building on work by Moorman, Zaltman, and Deshpande (1992), suggest that as a relationship becomes more long-term in its orientation, it also grows prone to negative influences that reduce the positive impact of relational factors. They cite “dark side” constructs, such as opportunism, loss of objectivity, and rising expectations (Grayson and Ambler 1999). The dark side of relationship were further research and confirmed by Anderson and Jap (2005) and Wuyts and Geyskens (2005) who highlight issues such as culture, interpersonal relationships, unique adaptations and seeking immediate benefits lead to the dark side of relationships. Furthermore, larger customers are more demanding and offer lower satisfaction scores (Bolton and Lemon, 1999; Bowman and Narayandas, 2004).

Research that specifically examines customer attitudes toward being selected as key accounts (see Table 1) includes Sharma and Pillai’s (1996) and Sharma’s (1997) findings that not all customers like being selected for this status. Pardo (1997) notes that a significant number of contacted customers are not enthusiastic about being key accounts. In research evaluating relationship quality, Napolitano (1997) shows that 53% of the respondents surveyed rate partnering through key accounts as a poor option. Finally, Ivens and Pardo (2007) compare key account with non-key account customers and discover that the former are neither more satisfied nor more trusting of suppliers than the latter. There may be three reasons that have been highlighted by previous research and detailed by us earlier. First, as suggested by Anderson and Jap (2005), long-term relationships lead to the dark side of relationships. Second, as suggested by Sharma (2007), once a key account is informed that they are a key account, they demand better prices and services that firms cannot provide. For example, larger customers are more demanding and offer lower satisfaction scores (Bolton and Lemon, 1999; Bowman and

Narayandas, 2004). Finally, Moorman, Zaltman, and Deshpande (1992) and Grayson and Ambler (1999) suggested, longer term relationships become stale. Customers do not see the same energy from existing suppliers as they see from other firms attempting to win the customer's business.

Financial Outcomes of Key Account Strategies

A main objective for establishing a key account program is to harness the potential financial outcomes. Although limited research addresses the issue of financial returns to key account strategies, some studies consider financial returns based on relationship length or customer size. Again, research recognizes relationship length and customer firm size as likely predictors of the identity of key account customers.

With regard to size, some evidence shows that larger customers receive price discounts in business-to-business markets (Reinartz and Kumar, 2002). Sharma (2003) suggests that not all large accounts are profitable though; in some cases, smaller accounts are more profitable. Helper (1991) and Lyons, Krachenberg, and Henke (1990) provide anecdotal evidence of reduced gross margins associated with long-term relationships in the automobile sector. Kalwani and Narayandas (1995) indicate that supplier firms with long-term relationships with their customers face price pressures over time, though the relationship also can reduce costs. Grayson and Ambler (1999), in the context of advertising agency–client relationships, find a negative impact of long-term relationships on service use, which dampens sales and other financial outcomes. In perhaps the most influential study in this realm, Reinartz and Kumar (2002) analyze data from a corporate service provider, examine some fundamental assumptions about customer relationships, and find that (1) there is a weak correlation between customer longevity and profits

(r = 0.30); (2) contrary to expectations, long-term customers are more expensive to serve than new customers; (3) long-term customers pay about 5–7% lower prices than newer customers. Sharma (2007) concurs that deep relationship customers offer the lowest margin levels. The possible explanations are derived from the research of Anderson and Narus (1991, 1995 and 1998). They suggest some reasons for reduced profitability may be incorrect selection (also Sharma and Pillai 1996; Sharma 1997; Pardo 1997), not being prepared for partnering, value hunting by customers, not providing customers with the details of the value delivered, and not constantly improving the relationship (e.g., staleness -- Moorman, Zaltman, and Deshpande 1992; Grayson and Ambler 1999).

Furthermore, in research on the financial returns associated with key accounts (see Table 1), Ivens and Pardo (2008) reveal that the prices paid by key accounts and non-key accounts do not differ; therefore, the margins earned from key accounts should be lower, because firms exert more effort (monetary, personnel, time) to serve key accounts. In a survey of 23 firms, Stevenson (1981) finds that sales, profitability, and share of wallet increases among customers with which the focal firms had implemented national accounts program. In terms of profitability, Homburg et al. (2002) and Workman et al. (2003) demonstrate that the enhanced effectiveness of key account strategies positively affects firm profitability.

However, other research suggests no effect of key accounts. Dishman and Nitse (1998) indicate, in a survey of 27 firms, that after two years, national account managers considered the profit margins too low (i.e., the accounts had strong sales but low profitability). Hofer, Jin, Swanson, Waller, and Williams (2012) uncover no relationship between the existence of retail key accounts and firm profitability.

Survival

In this section, we focus on the dissolution of long-term relationships; no prior research has investigated the survival of key accounts. Among advertising agencies for example, long-term agency–client relationships often break up due to gradually increasing client dissatisfaction with agency performance (Henke, 1995; Michell, Cataquet, and Hague, 1992). For example, Goldman (1995) highlights that Kraft ended a 66-year relationship with DMBandB, Anheuser-Busch ended its relationship with DMBandB after 79 years, and Kraft switched its Post Grape-Nuts cereal account from Grey Advertising to Foot Cone after 15 years. Additional evidence suggests that buying firms in other industries similarly do not maintain relationships with long-term suppliers and also have reduced their number of suppliers drastically, by as much as 27% to 90% (Emshwiller 1991).

These results receive support from research that indicates buyers are nearly always ready to switch suppliers, even those with long-term relationships (Sheth and Sharma, 1997). Jackson (1985) argues that long-term relationship customers are intolerant of any reduction in supplier performance. Recent research also has questioned the viability of maintaining multiple strong relationships, whether with suppliers or customers (Fournier, Dobscha, and Mick, 1998).

Summary

Prior research on key account outcomes thus is mixed. Customers' reactions to key accounts do not appear very positive, though whether that attitude is due to the size of the accounts (i.e., larger accounts have greater concerns) or the high expectations of customers and suppliers' inability to meet them is uncertain. Research examining the financial outcomes also is mixed, with some research indicating positive results, other studies suggesting no effects, and

still others revealing negative effects.

We also note three additional gaps in this research stream. First, most research takes a between-firm perspective and compares firms with key accounts (or effective key account strategies) against firms without them. Such studies provide strong directional support for the positive effects of key accounts but also might prompt an alternative explanation: Does this support arise simply because better firms adopt key account programs (or more effective key account strategies)? Second, except for Stevenson (1981) and Dishman and Nitse (1998), no studies measure before versus after or key versus non-key accounts within firms, and the sample sizes used in the two exceptions were small. Third, the survival rates of key accounts and other types have not been examined. Does the extra attention devoted to key accounts lead to longer-term relationships?

Research Questions

On the basis of this review of prior research, we seek to compare key accounts and non-key accounts within a single firm and thus address three research questions:

1. What attitudes do key account customers have toward the supplier firm (evaluation and satisfaction), compared with non-key account customer? Do these attitudes change over time?
2. What are the financial outcomes of key account strategies (sales, profit, growth), compared with non-key account strategies? Do these measures change over time?
3. What is the survival rate of key accounts compared that of non-key accounts? Are the survival rates higher or lower?

Sample Selection and Measures

We selected a global consulting firm that provided project-based and ongoing services to global business customers. The choice of a single firm allows us to provide an in-depth examination in a context where accurate customer data was collected. Cross-sectional data would have provided us with increased generalizability. However, few firms collect detailed customer level data that the sponsoring firms collects. Therefore single-firm longitudinal data was used in this study. The industry and firm was selected because the industry uses activity-based cost accounting and all costs were allocated to customers based on resource usage. This allows for a very precise calculation of sales and profitability.

For classification of global customers of the firm, we considered the customers at the business unit (BU) level, so some conglomerates (e.g., GE, Siemens) may entail multiple classifications. Many interactions are project based, leading to substantial customer turnover when projects end. In some years, customer turnover can be as high as 50%. To enhance customer interactions and reduce customer turnover, our focal firm established key account programs, with which it attempts to address the needs of its larger customers and exploit their greater revenue potential. Finally, the firm has identified low levels of customer satisfaction during the initial stages of customer acquisition and service delivery, which increase in the later stages of its engagements.

The key account selection process is formal in this firm; the criterion for selection combined sales and the client's strategic importance. Strategic considerations were typically the role that the firm played in the industry (e.g., market position or was the firm a pioneer is adopting new technologies). It also served two other types of accounts: small/medium and large. During our study period, small/medium accounts (which we refer to as small accounts hereafter)

constituted about 40% of its customer base, large accounts accounted for about 35%, and key accounts represented the remaining 25%. The large number of key accounts is common in this industry that has multi-million dollar accounts. In terms of revenue, 65% came from key accounts, 25% from large accounts, and 10% from small accounts. We obtained access to internal firm data, including financial information and customer surveys, which we used to determine the key account outcomes. We assured the firm of confidentiality.

The data collection started two years after the implementation of the key account program. Following criteria established by Reinartz and Kumar (2000), we collected data on recently acquired customers (within the previous year), at two time periods: year 1 and year 3 (based on company access of data). High turnover that we observed in our sample is expected in longitudinal studies (Rindfleisch et al., 2008; Ployhart and Vandenberg 2010). The high turnover led us to focus on only those customers that accounted for revenue in all three years under study. Interestingly, the turnover for all groups is not similar. In the three year sample that we used, small/medium accounts constituted 24.5% of the sample (versus 40% of customer base), large accounts accounted for about 37.6% (versus 35% of customer base), of the samples and key accounts represented the remaining 38% (versus 25% of customer base). Our own observation of the program, the large number of key account customers, and, higher survival rate suggests that key account program were well established and had become a standard operating procedure.

We thus collected data from 72 small customers, 111 large customers, and 112 key accounts, for which we obtained three main categories of measures:

(1) Satisfaction/loyalty measures: Five attitudinal measures of customer satisfaction and loyalty intention have long been implemented by the selling firm as standard survey

measures to track the most important aspects of their customers' satisfaction. Therefore, we were unable to use established scales provided by the literature and instead relied on industry experience on the validity of these items:

- Please rate your satisfaction with the overall performance of the supplier firm.
- Please rate your satisfaction with how well the supplier firm delivers its services.
- Please rate your satisfaction with your relationship with the supplier firm.
- Please rate your satisfaction with the overall value from the supplier firm, weighing benefits against costs.
- What is the likelihood that you would use the supplier firm's services again?

All items are evaluated by the business customer on a five-point scale.

(2) Financial outcome measures: We collected two financial measures that focus on revenues and gross margins for all customers in years 1 and 3. These measures were drawn from the selling firm's data-base and as such objective performance measures.

(3) Account survival rates: We collected data on the number of accounts classified as small, large, and key in year 1, and then how many of those accounts provided revenue in year 3. Those that did not provide revenues in year 3 were then classified as inactive.

Results

Satisfaction and Loyalty of Key Accounts

We present the results related to the satisfaction data from year 1 in Table 2. The overall satisfaction scores fell within a narrow band (4.10–4.14), and there were no significant differences between key and other accounts. Small differences similarly marked the other satisfaction areas: delivery, value, and relationship. The only marginally significant difference (*p*

$< .10$) was between small and large accounts, regarding service delivery. Finally, the likelihood to buy measure was similar across the different account classifications.

The situation changed in year 3 though, as we show in Table 3. First, customer satisfaction increased with additional service deliveries, such that overall customer satisfaction increased from 4.12 to 4.34 (for the same set of customers). Second, directionally, satisfaction and likelihood of buying were consistently lower for key accounts than for large or small accounts. Overall satisfaction of large accounts with the supplier firm was marginally higher ($p < .10$) than overall satisfaction of key accounts (4.41 versus 4.24). Similarly, delivery satisfaction among the large accounts was marginally higher ($p < .10$) than that expressed by key accounts (4.36 versus 4.18). We found no significant differences with regard to customers' relationship with the supplier firm. However, large accounts considered the value of services significantly higher ($p < .05$) than key accounts (4.26 versus 4.05). Finally, repurchase likelihood was significantly higher among large accounts ($p < .05$) and marginally higher among small accounts ($p < .10$) compared with key accounts.

Financial Outcomes

We summarize our analysis of the financial outcomes in Table 4. The small, large, and key accounts represented progressively higher revenues, as expected, in year 1. The operating margin was the highest for key accounts. These outcomes changed by year 3. The small and large accounts grew by 154.96% and 53.33%, respectively, but key accounts only grew by 4.43% annually, in dollar terms. Some of these outcomes were clearly size effects: Larger accounts showed lower percentage growth, even with the same dollar increase. However, operating margins in dollar terms declined for key accounts in year 3, compared with year 1,

whereas this measure increased for both small and large accounts. Finally, the operating margin in year 3 was the lowest for key accounts at 21.89% (small = 25.33%, large = 28.35%).

Account Survival

Finally, we conducted a survival analysis and obtained the results in Table 5. Recall that the overall account turnover rate for this firm was nearly 50%. These results suggested that the retention of small accounts after two years was 15.72% and that for large accounts was 27.82%. In contrast, customer retention reached 46.67% for key accounts. A key account strategy thus was more effective for customer retention.

Discussion

The results are interesting, in that they vary with the time period of study, whether just after the acquisition and selection of the key accounts or two years later. Just after the selection process, a key account customer offers higher revenues and operating margins (in dollar and percentage terms) than any other type of newly acquired account. Thus, the choice criteria used to identify key accounts is accurate. In the initial account acquisition and selection stages, customer satisfaction among the key accounts also was similar to that offered by the small and large accounts. The measurement two years later differed substantially though. Small and large accounts grew at a faster rate and were more profitable than key accounts. The reason may be survival bias – the accounts that grew and/or were more profitable were paid more attention that lead to higher retention.

More interestingly, findings that key accounts are not as profitable (operating margins in terms of both dollar and percentage declined for key accounts) as less preferred customers are

counterintuitive and generally support previous findings of reduced profitability of long-term and important customers. On the other side, since key accounts show higher survival reduced profitability should be balanced against the reduced uncertainty and better opportunities for planning, joint value maximization, and reduced transaction costs related to acquisition and monitoring of performance. This results or reduced profitability is in line with previous research that has shown that larger and/or long term relationship customers are less profitable (Sharma 2003; Helper 1991; Lyons, Krachenberg, and Henke 1990; Grayson and Ambler 1999; Reinartz and Kumar 2002; Sharma 2007). The key accounts also produced lower levels of satisfaction than the small and large accounts that some researchers have also observed for large and long-term relationship accounts (Bolton and Lemon 1999; Bowman and Narayandas 2004; Grayson and Ambler 1999; Moorman, Zaltman, and Deshpande 1992). The reason may be that long-term relationships enhance the "dark side of relationships" leading to lower satisfaction (c.f., Anderson and Jap 2005)

But why? As we discussed previously, we posit that key accounts may have

1. Incorrect selection. Two specific contexts come to mind. First, the customer may not want to a key account (e.g., Sharma and Pillai 1996; Sharma 1997; Pardo 1997). Second, the customer may be important to the supplier, but the supplier may not be important to the customer -- there is an unbalanced relationship. Finally, some of the selection may be incorrect as close long-term relationships are established where transaction specific investments and uncertainties are low.
2. Increased the price reduction demands on the supplier (c.f., Kalwani and Narayandas 1995; Reinartz and Kumar 2002). Because key accounts are more visible, the supplier firm may have agreed to higher discount levels.

3. Imposed higher costs of service, because the key accounts are more demanding (c.f., Reinartz and Kumar 2002). A dedicated sales force and other resources (e.g., websites) for key accounts also could increase the related costs.
4. Helped these customers realize that they were important to the supplier and therefore made them more demanding.
5. Been less tolerant of minor failures, reflected in lower satisfaction ratings.

Another aspect that could explain these key account outcomes relates to a survival bias. That is, customer firms always seek more service and lower prices, but the supplier firm may have provided these offerings only to key accounts, allowing its other customers to switch to other suppliers, such that it lavished attention on key accounts that small and large accounts did not receive. The retention of key accounts was more critical for this firm (recall that these accounts provided 65% of its revenue), so it let the small and medium customers go. Those that stayed were generally happy with the firm anyway, even though they did not receive the same discounts or level of service provided to key accounts.

An important questions that arises is if satisfaction of key accounts is lower, why do key accounts not switch? The data suggests that some key accounts do switch – our data demonstrates a 53.3% defection rate in two years. Possible reasons that key accounts do not are inertia and/or switching costs. More research is needed.

To deal best with key account customers, previous researchers have suggested that firms should classify their customers more accurately into key and non-key accounts, and then assume that key account customers will be more satisfied and more profitable, as well as provide more business to suppliers. Our results reject these assumptions though. Accordingly, the present study recommends that firms track the financial and attitudinal outcomes of their key accounts to

create benchmarks.

These results imply that firms should try to expand their portfolios of non-key accounts, that is, of customers with higher financial returns that are happier with the supplier. Aligned with this recommendation, some firms such as IBM have begun creating special programs for small and medium businesses, in addition to their continued focus on large and key customers.

Managerial Implications

We offer two notable managerial implications of this study, related to the scrutiny of key accounts and the need for an enhanced focus on non-key accounts. Substantial research already details how to implement key account programs. We suggest that firms also need to track their key accounts better, because our results show that key accounts are less satisfied, less profitable, and less beneficial for firm growth than other types of accounts.

Although we do not question the criticality of key accounts, we also assert that tracking them is just as important. Systems should be developed to allocate costs accurately and determine the actual profitability of various customers. If customers are profitable and growing, they warrant increased attention. If customer profitability and account growth are low though, the supplier should consider two strategies: Sharing data with key account customers about their lack of profitability may support price increases. But in acute cases of low profitability, declining revenues, or strong dissatisfaction, losing the customer may be the best option.

Furthermore, firms need to attend better to their non-key accounts that may be more profitable and provide higher growth. This attention does not need to include an in-person visit; it could be through an e-commerce platform, such as CDW already employs. Business-to-business literature consistently highlights the greater profitability of smaller customers, but only

recently have Internet technologies and inexpensive video-conferencing provided effective means to reach these customers personally. More effort along these lines is required.

Research Implications and Limitations

In examining the returns to key accounts, we contribute to sales research in three areas. First, most research on the effectiveness of key accounts refers to the between-firm level, whereas we examine the effect within a single firm. The limitations of a single firm data are recognized. Second, this study examines the temporal aspects of key accounts, namely, what happens to key accounts over time, in comparison with other accounts in a fairly large sample. This research examined data in two time periods and additional designs need to be utilized to enhance the generalizability of the research. Third, we consider the survival rates of key accounts versus other types of accounts.

In turn, this research answers three questions related to key account customers' attitudes toward the supplier firm, the financial outcomes of key account strategies (sales, profit, growth), and the survival of key accounts. The results suggest that key accounts are less satisfied and less profitable, and they exhibit lower mortality, than other types of accounts. The limitation of a single industry and context is recognized and additional research is suggested. However, these results should give pause to managers or researchers who blindly recommend the increased proliferation of key accounts. They also establish a call for more detailed research on key account outcomes.

Table 1
Studies Examining the Outcomes of Key Account Programs

Reference	Research Question	Finding
Dishman and Nitse (1998)	Margins associated with national accounts. Responses from 27 firms.	Analyzing two-year data, managers found profit margins to be too low to meet internal return on investment requirements.
Hofer et al. (2012)	The relationship between existence of retail key accounts and profitability of firms.	No significant relationship.
Homburg et al. (2002); Workman et al. (2003)	The relationship between key account management and key account management effectiveness, firm performance, and profitability (between-firm design).	Positive relationship.
Ivens and Pardo (2007)	Customer reactions to key account relationships.	Customers are neither more satisfied nor more trusting of suppliers in a key account context.
Ivens and Pardo (2008)	Prices paid by key and non-key accounts.	No significant difference.
Napolitano (1997)	Measuring partnering effectiveness in national accounts	53% of respondents stated that partnering effectiveness was poor.
Pardo (1997)	Customers' evaluations of key account management.	A significant number of customers are not enthusiastic about key accounts.
Sharma (2007)	Profitability and length of relationship.	Long-term relationship customers were less profitable than short-term relationships.
Sharma and Pillai (1996); Sharma (1997)	Types of firms that prefer key accounts	Not all firms prefer key accounts. Large firms are not the best method of selecting key accounts.
Stevenson (1981)	Returns to national account management. Interviewed managers in 23 firms.	Increased sales, profitability, and share. Exact increase not provided.
Tzempelikos and Gounaris (2015)		

Table 2

Attitudinal Measures in Year 1

Type of Account	n	Overall Satisfaction	Satisfaction with Delivery of Services[a]	Satisfaction with the Relationship with Supplier	Satisfaction with the Value of Services	Likelihood to Rebuy
Small	72	4.10	4.20	4.05	4.36	4.28
Large	111	4.11	4.05	4.06	4.35	4.38
Key Account	112	4.14	4.15	4.02	4.28	4.32
Total	295	4.12	4.12	4.05	4.32	4.34

[a]Significant differences between small and large accounts at $p < .10$.

Table 3

Attitudinal Measures in Year 3

Type of Account	n	Overall Satisfaction[a]	Satisfaction with Delivery of Services[a]	Satisfaction with the Relationship with Supplier	Satisfaction with the Value of Services[b]	Likelihood to Rebuy[c,d]
Small	72	4.37	4.30	4.67	4.22	4.54
Large	111	4.41	4.36	4.63	4.26	4.63
Key Account	112	4.24	4.18	4.50	4.05	4.35
Total	295	4.34	4.28	4.59	4.17	4.50

a. Significant difference between large and key accounts at $p < .10$.
b. Significant difference between large and key accounts at $p < .05$.
c. Significant difference between large and key accounts at $p < .05$.
d. Significant difference between small and key accounts at $p < .10$.

Table 4

Financial Outcomes

Type of Account	Average Revenues in Year 1 (in Million $)	Average Operating Margin Percentage in Year 1	Average Revenue ($) CAGR	Average Operating Margin ($) CAGR	Average Operating Margin Percentage in Year 3
Small	$0.93	23.30%	154.96%	165.83%	25.33%
Large	$3.65	17.87%	53.33%	93.15%	28.35%
Key Account	$17.3	24.45%	4.43%	-1.19%	21.89%
Total	$8.14	21.69%	59.57%	75.07%	25.16%

CAGR: Compounded annual growth rate

Table 5

Survival Analysis

Type of Account	Number of Accounts in Year 1	Number of Accounts from Year 1 that Provided Revenue in Year 3	Survival
Small	458	72	15.72%
Large	399	111	27.82%
Key Account	240	112	46.67%
Total	1097	295	26.89%

References

AL-Hussan, Fawaz Baddar, Faten Baddar AL-Husan, and C-Y. Chavi, (2014), "Environmental factors influencing the management of key accounts in an Arab Middle Eastern context," *Industrial Marketing Management,* 43, 4, 592-602.

Anderson, Erin and Sandy D. Jap (2005), "The Dark-Side of Close Relationships," *Sloan Management Review*, 46(3), 75-82.

Anderson, James C. and James A. Narus (1991), "Partnering as a Focused Market Strategy," *California Management Review*, 33, 3, 95-113.

Anderson, James C. and James A. Narus (1995), "Capturing the Value of Supplementary Services," *Harvard Business Review*, 73, 1, 75-83.

Anderson, James C. and James A. Narus (1998), "Business Marketing: Understand What Customers Value," *Harvard Business Review*, 76, 6, 53-65.

Bolton, Ruth N., and Katherine N. Lemon (1999), "A dynamic model of customers' usage of services: Usage as an antecedent and consequence of satisfaction," *Journal of Marketing Research*, 36(2), 171-186.

Bowman, Douglas, and Das Narayandas (2004), "Linking customer management effort to customer profitability in business markets," *Journal of Marketing Research*, 41(4), 433-47.

Crosby, Lawrence A., and Nancy Stephens (1987), "Effects of relationship marketing on satisfaction, retention, and prices in the life insurance industry," *Journal of Marketing Research*, 24(4), 404-11.

Dishman, Paul and Philip J. Nitse (1998), "National accounts revisited," *Industrial Marketing Management*, 27(1), 1-9.

Emshwiller, John R. (1991), "Suppliers struggle to improve quality as big firms slash their vendor roles," *The Wall Street Journal*, August 16, B1.

Fournier, Susan, Susan Dobscha, and David Glen Mick (1998), "Preventing the premature death of relationship marketing," *Harvard Business Review*, 76(1), 42-51.

Goldman, Kevin (1995) "Advertising: Kraft drops D' Arcy Masius, ending 66 year relationship," *The Wall Street Journal*, October 3, B3.

Grayson, Kent, and Tim Ambler (1999), "The dark side of long term relationships in marketing services," *Journal of Marketing Research*, 36(February), 132-141.

Guesalaga, Rodrigo (2014), "Top management involvement with key accounts: The concept, its dimensions, and strategic outcomes," *Industrial Marketing Management*, 43, 7, 1146-56.

Guesalaga, Rodrigo, and Wesley Johnston (2010), "What's next in key account management research? Building the bridge between the academic literature and the practitioners' priorities," *Industrial Marketing Management*, 39(7), 1063-68.

Helper, Susan (1991), "How much has really changed between U.S. automakers and their suppliers?" *Sloan Management Review*, 32(4), 15-28.

Henke, Lucy L. (1995), "A longitudinal analysis of the ad agency- client relationship: predictors of an agency switch," *Journal of Advertising Research*, 93 (March/ April), 24-30.

Hofer, Christina, Henry Jin, R. David Swanson, Matthew A. Waller, and Brent D. Williams (2012), "The impact of key retail accounts on supplier performance: a collaborative perspective of resource dependency," *Journal of Retailing*, 88(3), 412-420.

Homburg, Christian, John P. Workman, Jr., and Ove Jensen (2002), "A configurational perspective on key account management," *Journal of Marketing*, 66(April), 38-60.

Ivens, Björn Sven, and Catherine Pardo (2007), "Are key account relationships different? Empirical results on supplier strategies and customer reactions," *Industrial Marketing Management*, 36(4), 470-82.

Ivens, Björn Sven, and Catherine Pardo (2008), "Key account management in business markets: An empirical test of common assumptions," *Journal of Business and Industrial Marketing*, 23(5), 301-10.

Jackson, Barbara Bund (1985), *Winning and keeping industrial customers: the dynamics of customer relationships*, Lexington MA: Lexington Books.

Kalwani, Manohar U., and Narakesari Narayandas (1995), "Long-term manufacturer-supplier relationships: Do they pay off for supplier firms?" *Journal of Marketing*, 59(1), 1-16.

Kumar, Nirmalya, Lisa K. Scheer, and Jan-Benedict E. M. Steenkamp (1995), "The effects of supplier fairness on vulnerable resellers," *Journal of Marketing Research*, 32(1), 54-65.

Lusch, Robert F., and James R. Brown (1996), "Interdependency, contracting, and relational behavior in marketing channels," *Journal of Marketing*, 60(2), 19-38.

Lyons, Thomas F., A. Richard Krachenberg, and John W. Henke (1990), "Mixed motive marriages: what's next for buyer-supplier relations," *Sloan Management Review*, 31(3), 29-36.

Michell, Paul C., Harold Cataquet, and Stephen Hague (1992), "Establishing the causes of disaffection in agency-client relations," *Journal of Advertising Research*, (March/April), 41-48.

Millman, Tony and Mike Lucas (1998), "Observations of the marketing/accounting interface in key account management," *Journal of Selling and Major Account Management*, 1(2), 10-21.

Moorman, Christine, Gerald Zaltman, and Rohit Deshpande (1992), "Relationships between providers and users of market research: the dynamics of trust within and between organizations," *Journal of Marketing Research*, 29(August), 314-328.

Napolitano, Lisa (1997), "Customer-supplier partnering: a strategy whose time has come," *Journal of Personal Selling and Sales Management*, 17(Fall), 1-8.

Pardo, Catherine (1997), "Key account management in business to business field: the key account's point of view," *Journal of Personal Selling and Sales Management*, 17(Fall), 17-26.

Ployhart, Robert E., and Robert J. Vandenberg (2010), "Longitudinal research: The theory, design, and analysis of change," *Journal of Management* 36, 1, 94-120.

Reinartz, Werner J. and V. Kumar (2000) "On the profitability of long-life customers in a noncontractual setting: an empirical investigation and implications for marketing," *Journal of Marketing*, 64(October), 17-35.

Reinartz, Werner and V. Kumar (2002), "The mismanagement of customer loyalty," *Harvard Business Review*, 80(7), 86-95.

Richards, Keith A., and Eli Jones (2009), "Key account management: adding elements of account fit to an integrative theoretical framework," *Journal of Personal Selling and Sales Management*, 29(4), 305 – 20.

Rindfleisch, Aric, Alan J. Malter, Shankar Ganesan and Christine Moorman (2008), "Cross-sectional versus longitudinal survey research: Concepts, findings, and guidelines," *Journal of Marketing Research,* 45, 3, 261-279.

Ryals, Lynette J., and Iain A. Davies. "Where's the strategic intent in key account relationships?" *Journal of Business & Industrial Marketing* 28.2 (2013): 111-124.

Shapiro, Benson P., V. Kasturi Rangan, Rowland T. Moriarty, Jr., and Elliot B. Ross (1987), "Managing customers for profit (not just sales)," *Harvard Business Review*, (September–October), 101-8.

Sharma, Arun (1997), "Who prefers key account management programs? An investigation of business buying behavior and buying firm characteristics," *Journal of Personal Selling and Sales Management*, 17(Fall), 27-39.

Sharma, Arun (2003), "Are you selecting the right key accounts? Examining the relationship between account sales and profitability" *Journal of Selling and Major Account Management,* (October), 29-39.

Sharma, Arun (2007), “The metrics of relationships: measuring satisfaction, loyalty, and profitability of relational customers,” *Journal of Relationship Marketing*, 6(2), 33-50.

Sharma, Arun and Rajnandini Pillai (1996), “Customers' decision-making styles and their preference for sales strategies: conceptual examination and an empirical study,” *Journal of Personal Selling and Sales Management*, 16(1), 21-33.

Sheth, Jagdish N., and Arun Sharma (1997), “Supplier relationships: emerging issues and challenges,” *Industrial Marketing Management*, 26(2), 91-100.

Stevenson, Thomas H. (1981), “Payoffs from national accounts management,” *Industrial Marketing Management*, 10, 119-24.

Storbacka, Kaj. “Strategic account management programs: alignment of design elements and management practices,” *Journal of Business & Industrial Marketing* 27.4 (2012): 259-274.

Tzempelikos, Nektarios, and Spiros Gounaris (2015), “Key Account Management Orientation and its Impact on Company’s Performance–An Empirical Study,” *The Sustainable Global Marketplace,* Springer International Publishing, 44-47.

Wang, Xuan Lorna, and Ross Brennan (2014), “A framework for key account management and revenue management integration,” *Industrial Marketing Management,* 43, 7, 1172-81.

Ward, Keith (1992), *Strategic management accounting*, London: Butterworth-Heinemann.

Weilbaker, Dan C., and William A. Weeks (1997), “The evolution of national account management: a literature perspective,” *Journal of Personal Selling and Sales Management*, 17(Fall), 49–59.

Wengler, Stefan, Michael Ehret, and Samy Saab (2006), “Implementation of key account management: who, why, and how? An exploratory study on the current implementation of key account management programs,” *Industrial Marketing Management*, 35(1), 103–112.

Wilson, Kevin, and Diana Woodburn. "The impact of organisational context on the failure of key and strategic account management programmes." *Journal of Business & Industrial Marketing* 29.5 (2014): 353-363.

Workman Jr., John P., Christian Homburg, and Ove Jensen (2003), “Intraorganizational determinants of key account management effectiveness*,” Journal of the Academy of Marketing Science*, 31(1), 3-21.

Wuyts, Stephan and Inge Geyskens (2005), “The Formation of Buyer—Supplier Relationships: Detailed Contract Drafting and Close Partner Selection,” *Journal of Marketing*, 69, 4, 103-117.