

Revitalizing Your National Account Program: The NAM Audit

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Abstract:

The decision to establish or retain a national account marketing program is one faced by many firms whose product or service is sold through a business-to-business salesforce. Unfortunately, it is often difficult to determine whether the benefits obtained from establishing and/or maintaining a national account program outweigh the costs. This audit provides a structured approach to help firms decide if a NAM program is right for their particular company. Although, because of differences between firms, it is difficult to establish absolute decision rules, the audit can help a company decide whether to establish/maintain a national account marketing program.

Keywords: communications | decision making | marketing | market orientation | national accounts | sales

Article:

Since the early 1980s, professional sales and marketing publications have heralded the benefits of the national accounts marketing concept, suggesting that it will become the dominant manner of account management during the 1990s (Bertrand, 1987). A number of benefits for the selling organization have been linked with establishing national account selling. One advantage is the potential for developing better relationships with customers, which can give the selling firm a competitive advantage (Stevenson, 1981). Other desirable outcomes associated with national accounts include increased profit margins, improved communication between the buying and selling firms, and the maintenance of a stable customer base among a firm's major accounts (Barrett, 1986).

Previous writings suggest that national accounts are different from traditional customers in several important dimensions. For instance, national accounts tend to have more centralized purchasing processes than other firms (Barrett, 1986). In addition, national accounts typically have more buying center locations and purchase a much larger volume of products compared with the average buyer (Rottenberger-Murtha, 1992). These facts strongly suggest the need to approach National Accounts differently (Coppett and Staples, 1983).

While potential benefits of national account marketing have been discussed in both the academic and business literature, there also has been an increased focus on productivity as an essential element of corporate management. Downsizing and outsourcing are two results of this scrutiny. No reader of current business periodicals can avoid the steady diet of reporting on these types of activities at IBM, Apple, General Motors, Delta Air Lines, ATT, and others, among the largest and historically most stable of American corporations.

Not surprisingly, sales and marketing organizations have not escaped this focus on productivity. Today, many firms are re-evaluating their market presence and implementing steps to increase their focus on markets that represent core competences, as well as evaluating how these markets can be served most effectively. In some cases, a less than acceptable level of historical performance in a national accounts marketing unit has resulted in its dissolution or at least restructuring (Stevenson, 1981). In other cases, the selling function itself has been outsourced to manufacturer representative firms or distributors with the selling firm retaining and directly servicing only the most important customers through an existing or to-be-established national account organization. Regardless of the approach used, an effective sales organization is essential to a firm's survival in today's globally competitive world (Rottenberger-Murtha, 1993). In the current market environment, a national account organization can help some firms meet their objectives. Other firms may view it as a hindrance in meeting sales or financial goals and find it difficult to justify the significant resources required to start and maintain a national account organization.

The purpose of this article is threefold. First, it will present a brief summary of the literature addressing the advantages and disadvantages of national account marketing. Then, it will present a structured method of examining the validity of the national account organization within a specific company environment. This detailed examination is intended to lead to more informed decision making relative to the introduction of the National Account concept. Finally, the article will provide a method that firms can use to evaluate critically their current approach to conducting national account activity, and to identify any areas requiring management attention. *A National Account Marketing Program Audit* is the method used to accomplish these final two tasks.

National Account Growth

The recent growth in the number of national account organizations has been so strong as to suggest that virtually all major industrial organizations use the concept in some form (i.e. National Accounts, Key Accounts, Large Accounts, International Accounts, Strategic Accounts, etc.) (Stevenson and Page, 1979). Whatever its name, the concept allows a firm to identify and target its largest and most important client accounts and provide those accounts with special treatment in marketing, administration and service. Many view this as the manifestation of a holistic approach to marketing which suggests that the firm's products have been augmented in order to customize the packaging of the product for that specific customer (Hunter, 1987).

While there are a number of benefits that can be gained by establishing a national account marketing activity, for the purposes of this article they can be classified into four main categories (Shapiro and Moriarty, 1980). The primary advantage to identifying these accounts is to help

achieve a closer working relationship with major customers (Stevenson, 1981). Developing this relationship can translate into a number of advantages. For instance, it becomes more difficult for another party to break the buyer-seller relationship. In addition, this relationship may lead to increases in sales volume (Stevenson, 1981). A close working relationship also can create switching costs for the buying firm and should better equip the selling firm to meet their customer's needs (Bund-Jackson, 1985).

A second reason for establishing national accounts is to improve internal and external communication regarding major customers. This offers two major advantages to the participants. First, fewer mistakes occur during processing and servicing orders because of the improved communications within the firm. Second, the customer benefits since their needs can be addressed more immediately by the national account manager than if they were processed through more traditional channels.

A third goal of national account programs is to achieve more productive follow-up on sales and service to major customers as a result of the increased focus on these customers. Finally, establishing national accounts may produce more productive calls with fewer missed opportunities (Barrett, 1986). By developing a "special" relationship with a customer, a selling firm will be in position to provide better service and also more clearly understand a buyer's needs thereby increasing the likelihood of additional application related sales.

In summary, the development of a national account entity occurs when a firm identifies their major customers using some pre-determined quantitative criteria and establishes a formal way to assign resources to those areas with the greatest revenue potential. The application of this concept can help maximize revenue from targeted accounts, and also can be expected to increase margins based on the premiss that major accounts will pay more for the value added by the holistic approach of national account marketing. While one anticipated result of adding an account to a NAM program is the achievement of positive financial results, another is that the account will shift from a product-driven, transaction-based focus to an emphasis on developing a close business relationship. This, in turn, can lead to long-term relationships between the two firms and to significant additional opportunities within the account for joint ventures and business partnerships.

Why NAMs Fail

While the NAM concept has few detractors, the implementation of the program within a firm has often produced unsatisfactory results (*Business Marketing*, 1988). In the search for higher levels of productivity, some firms have found that revenue levels (and margins) from national accounts do not warrant the added expense levels of the program (Rottenberger-Murtha, 1992). In these cases, programs have been dissolved and account responsibility has reverted to local direct sales or to third party firms.

Firms instituting a national account program and subsequently dropping it have cited three major reasons:

1. the organization of the company does not allow for a national account organization;

2. existing sales force organization precludes effective implementation; or,
3. the client profile does not lend itself to national account marketing (Stevenson, 1981).

It appears that those firms unwilling or unable to devote sufficient resources to their national accounts will not be successful in implementing the program.

Companies which have considered and chosen not to initiate such a program indicate that the prime reason is a lack of qualified people within the company (Stevenson, 1981). A recent survey of existing national account managers indicated that even those companies that have implemented and retained NAM programs have some criticisms. These managers report that they often do not receive the tools, training, or support to do their jobs well. Furthermore, they also estimate that up to 50 percent of their work day is spent attempting to persuade their firm to provide that necessary support (*Business Marketing*, 1988).

The National Account Marketing Program Audit

The National Account Marketing Program Audit contained in the Appendix consists of five major Sections. These sections are illustrated in the Figure 1. In light of the benefits and risks (costs) associated with national account programs, marketers need a tool to assess the variability of the approach in their organization. The NAM audit is presented in response to this need.

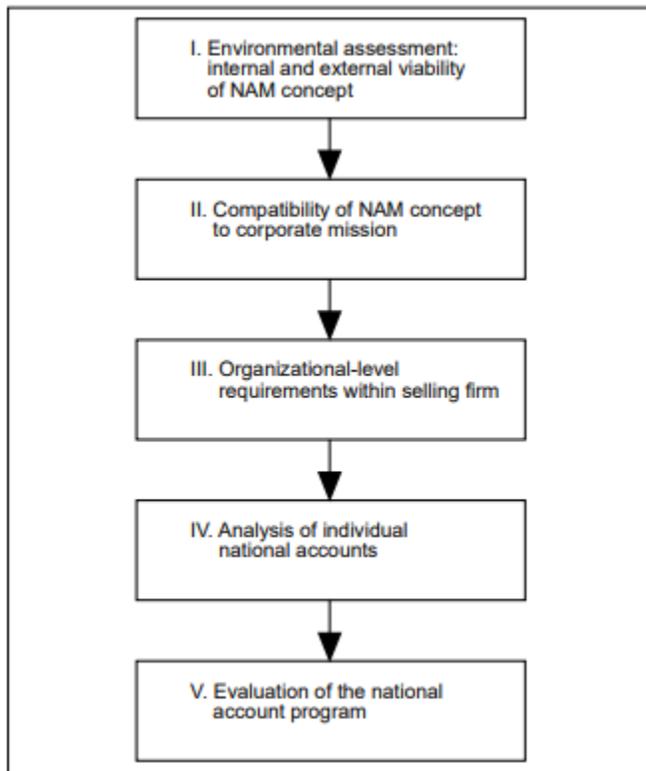


Figure 1. Overview of National Account Audit Process

The Environment, Section I, addresses both the external industry conditions and senior management and inter-departmental support for the concept of national account marketing. The

section focusses on the profile of the market (i.e. characteristics of client companies, competitive activities, etc.) and questions whether the market, with consideration given to the culture of the company itself, is appropriate for the establishment and successful operation of a national account entity.

The next section, *Mission*, deals with the quantitative and qualitative macro-objectives of the program. It is intended not only to test the validity of the original purpose of the NAM program but also whether there is sufficient integration of the program into *current* corporate marketing strategy to ensure its success. In performing this test, the audit will force a review of program mission as well as test the depth of management understanding of that mission.

The operational considerations of managing and motivating the national account organization are addressed in Section III, *Organization*. Organization and procedures are often established at the inception of the NAM program which, over time, become outdated with respect to the evolving nature of the organization and market maturation. This section questions the current efficiency of the program. It focuses on the national account client firms in the program and the structure of the marketing coverage assigned to those firms as well as the positioning of the NAM unit within the current company hierarchy. In particular, characteristics of the individual national account managers, their training, compensation, motivation and methods of support are exposed and analysed in light of current conditions. The results of this analysis will highlight areas in need of change.

How well each individual national account is understood by the company is addressed in Section IV, *Analysis of Individual Accounts*. Effective account management and strategy development presupposes a level of knowledge regarding the account which will lend itself to informed decision making. This is an assumption which may be false if the selling firm is not truly familiar with the customer. Information gathering from or about national accounts is an ongoing effort not only because of the need to complete the level of understanding of the account but because the client account and its personnel and organizational structure are constantly changing. What may have been accurate information at the inception of the program will have changed over time. A solid understanding of the account must be established before the company can determine the account's needs and whether the company is perceived as fulfilling those needs. Completing the questions of this section will test account knowledge and the effectiveness of NAM coverage within the account.

The efficacy of any business organization is ultimately determined by the extent to which it is achieving its realistic, quantified, business plan expressed in dollars and in percentages. *Analysis of the National Account Program*, Section V, suggests a basis for this comparison. It is not difficult for national account contribution to revenue, gross margin and profit to be obscured in the consolidated financial analyses of the marketing organization. Additional effort must often be made to isolate the NAM program contribution in a quantified fashion. The mission of the program must be defined in quantified financial terms and there must be periodic review of production against those goals. This periodic analysis should highlight inconsistencies or confirm adherence not only to corporate financial goals but also to the original goals which established the NAM program. This section of the audit is intended to effect this analysis.

Answers to the questions posed in the audit will naturally lead to additional questions unique to the selling organization. For example, if the questions concerning the relationship between the national account marketing unit and the balance of the sales department expose a less than cooperative interface, this issue should lead to questions concerning methods which could be used, given that particular selling organization, to improve this relationship. The application of the audit does not lend itself to a mechanical compilation of “yes” and “no” answers to determine the viability of the national account activity and in this sense, the application must be considered more of an art than a scientific evaluation.

Benefits derived from the audit, and the list of action items resulting from this exercise, will be dependent on the experience and analytical skills of the agent or executive conducting the audit. The severity of any shortcomings uncovered by the audit need to be judged by a knowledgeable auditor. However, results of this structured auditing process can lead to a framework that provides for potential improvement in both the efficiency and effectiveness of the national account program. In addition, some firms may discover that a national account program is not a feasible approach for them at this time given their level of resources, key personnel, and their established base of customers.

Conclusion

Implemented successfully, a national account marketing program can help transform a product-oriented company into a truly market driven firm and, at the same time, increase market share, revenues and margins. Conversely, a poorly conceived plan can waste precious expense dollars, increase management and salesforce frustration, as well as damage the image of the company in the very markets it has set out to serve. The national account marketing program audit presented here is offered as a tool for sales and marketing managers to use in reviewing an existing program or in the consideration of instituting such a program. Market and company conditions existing at the inception of the program may change over time. The audit will aid managers in periodically taking the pulse of their national account program. It will also indicate to management where resource allocation can be modified in order to improve both the effectiveness and the efficiency of their national account activity.

A national account marketing unit is not a structure that can be put in place without planning and execution skills. Corporate commitment also is critical to its success. Implemented properly, however, it may provide a firm with the competitive edge it needs to survive and prosper.

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Appendix: Audit National Account Marketing Program

I. The Environment

A. External

1. Is the market for our products characterized by a relatively small number of companies purchasing a majority of our products?
2. Do those companies affecting the majority of purchases have multiple buying locations requiring a coordination in the selling effort? Does the client account make repeat buys in large quantities?
3. Is there typically a centralized function within these companies which is concerned with vendor consistency in pricing and value added options.
4. Do other industry competitors have National Account Programs? Do these competitors typically include our clients as National Accounts?
5. Are client accounts interested in reducing the number of vendor firms with whom they interface?

6. Does the concept of strategic alliance appeal to the firms included in our National Account program?

B. Internal

1. Is the nature of the National Account Program understood by other divisions within the company? Is there enthusiastic support for the program?
2. Is there senior management support for and involvement in the program?
3. Is the program tailored to fit the personnel of the company or have the parameters of the program been established objectively?
4. Are there formal linkages with other departments and other divisions?
5. Is there a healthy, cooperative relationship between National Account Marketing and the balance of the Sales Department? Does this cooperation exist at the top levels of sales and marketing management? Does it extend through field sales management to the individual field salesperson?

II. Mission

1. When initiated, was there a clearly defined goal supporting the creation of the program? Is that goal being met? Is that goal still valid?
2. Is strategic partnering with National Accounts a part of the firm's market strategy?
3. Has appropriate authority been emplaced to allow the National Account activity to fulfill its expected role.
4. Does a clear understanding exist throughout management ranks concerning the expected gains from the program for both the selling firm and its clients?

III. Organization

A. Structure

1. Given the role of the program, does it have the right number of accounts? Is the mix of existing accounts and targeted new accounts appropriate?
2. Are Government entities included in the National Account program?
3. Is there any vertical segmentation orientation in the selection of National Accounts? Should there be?
4. Are client firms notified formally that they are a part of the company's National Account program? How are they notified? Does this action properly set the stage for the type of partnering that is desired? Is there customer buy-in to this partnership?
5. Is the number of National Account Managers adequate to properly manage this number of accounts? Should they manage more? Less?
6. Is the reporting structure of the National Account organization valid given the proper span of management and the need for National Account Manager proximity to senior management?
7. Is the National Account activity a part of Sales? Marketing? Independent? Given its level of maturity, where should it be positioned?

8. If a conflict were to arise between Field Sales and National Account Marketing, is there a conflict resolution mechanism in place?
9. When necessary, is the NAM authorized to commit the company to a course of action?

B. Integration

1. Does the culture of the company allow for the existence and effective operation of a NAM unit?
2. Is the NAM unit an integral part of company operations or is the unit too autonomous?
3. Do other divisions and business units of the company such as Administration, Billing, Manufacturing, Service, and Engineering, have a National Account interface to facilitate the response to National Account needs?
4. Is there a spirit of cooperation between other units of the company and the National Account operation?
5. Within the sales force, is there counterproductive competition between local sales offices and National Account Managers?

C. Staffing

1. Is the staffing of the National Account activity normally provided from within the company?
2. Is placement into a National Account Manager position viewed as a positive step in the career path of the sales/marketing professional?
3. Is there a profile of the ideal attributes of the National Account Manager? Are these attributes used in the recruiting process?
4. Is there sufficient recruiting of personnel from outside the company to stimulate new ideas and processes?
5. Does the profile of the NAM place too much emphasis on experience and, in the process, preclude the consideration of less experienced people who may bring a greater level of enthusiasm and fresh thinking?

D. Training

1. In addition to product and sales skills training, are subjects such as Negotiating and Financial Analysis addressed in the formal training program? Relationship Selling? Marketing Principles?
2. Is account development strategy a part of formal training?
3. Is there training in the specific industry of the client firms? Should there be?
4. Is the frequency of formal training for NAMs sufficient?
5. If local sales people are not included in local account coverage, is there sufficient product training for the NAM also to conduct local sales activity?
6. Are new NAM employees hired from outside the firm formally taught the systems and procedures of their new company as a means of allowing them to operate effectively within a short period of time?
7. Are National Account Managers provided trade journal and business periodical subscriptions as well as product information to allow self-education?

8. Are the NAMs trained in the legal verbiage of the contracts used with National Accounts? Do they understand the level of acceptable deviation from standard in each area of the contract?
9. Does the NAM understand his/her firm's capabilities well enough to recommend business partnerships with client accounts?

E. Compensation

1. Does the NAM compensation program include sharing of commission dollars with local sales? Is this sharing a positive or negative issue in the cooperation between the two entities?
2. Is the NAM compensation plan in concert with NAM program goals?
3. Does the recording of sales revenue credit include sharing between NAMs and local sales?
4. If compensation and/or credit is "split", is there a way to structure a program in which there is a perceived 100%/100% commission and credit distribution that does not violate the cost per sales criteria of the company?
5. Is company-wide distribution of National Account sales revenue achievement sufficient to stimulate employee appreciation for the contribution of National Account Marketing?
6. Is the compensation plan properly leveraged, allowing the NAM to focus on long-term relationships with client accounts?

F. Management

1. Is the National Account entity a separate sales/marketing organization? If not, should it be?
2. Is there active management of the sales activities of the National Account Manager? If not, should there be? If there is, does this management provide sufficient independence and flexibility of the NAM activities, given their increased skill sets?
3. Are there periodic and formal reports required of all NAMs? Weekly? Monthly? Are the reports actively reviewed by NAM management? Is there intra-National Account Marketing distribution of these reports?
4. Are any of these formal reports reviewed by senior management of the company? Should they be?
5. Is there a formal expense budget for National Account Marketing? Can the budget be broken down to individual NAMs? Should it be? Are the NAMs aware of these budget constraints? Are exceptions permitted? Are the reasons for exceptions consistent?
6. Are there annual quotas assigned to NAMs? How are they developed? Does the NAM participate in the quota and budget preparation? Is there an equitable distribution of quota assignment among NAMs? Do client firms in the National Account program play a role in projecting the anticipated business from the firm?
7. Is there an equitable distribution of National Accounts among the NAMs? Is there a proper mix of high volume and low volume accounts? High potential and consistent revenue production accounts?
8. Is there a formally suggested manner in which National Account Managers are expected to manage their client accounts? Should there be?

9. Is there active participation by NAM management in professional associations such as the National Account Marketing Association.

G. Support

1. Are personnel assigned from each critical company organization that interfaces with the client firms?
2. Is there a set of standard contracts available to NAMs which can be used in the conduct of business with National Accounts? Are there contracts available which are unique to National Accounts? Should there be?
3. Are there special payment terms available to client accounts? Discounts? Rebates? Financing? Product training? Should there be?
4. Is sufficient "boilerplate"-type material available to NAMs to aid in preparing formal account proposals?
5. Is senior management actively involved in the National Account program activities? Is there participation in the development of account strategies? Overall NAM strategy? Is senior management available/willing to make personal calls on clients?
6. Is management from other divisions or business groups in the company available/willing to make personal calls on their counterparts in client firms? Would that be productive?
7. Are all elements of the company with whom National Account Marketing may interface familiar with the activities and objectives of the National Account program? Are they updated periodically?
8. Are National Account success stories given proper distribution throughout the company?
9. Can the NAM marshal the necessary resources within the company to win business?
10. Does the NAM have an appropriate level of administrative support for his efforts?
11. Do the needs of the client accounts permeate the company?

IV. Analysis of Individual National Accounts

1. Do we understand the account's needs and expectations as they relate to our firm's product sets and competencies? Does the account perceive us as understanding those needs? Is the NAM properly driving the response to those needs?
2. Does the client account view us as being able to help them develop a competitive advantage?
3. Do we know other supplier firms who service the account? Have we discussed with them how best to serve the account?
4. Have we involved the account in our product development activity? Should we?
5. What competitors are active within the account? What are they doing right? Wrong? Can we win account share from them? How?
6. Can we quantitatively measure our share of business within the account versus the total business for our type of products? Since the account's inclusion in the National Account program, has this share gone up? Has it gone up in concert with our original plans for penetrating the account? What is our forecast for increasing share?
7. Have we surveyed this customer's level of satisfaction? How do we measure up? If we have not done this, should we? What would be the result?

8. Is there a formal account plan prepared for the account? Is it current? Could a newly assigned NAM quickly understand the account by reviewing the plan? Does the account plan include an account strategy? Does it include historic information about account? Does the strategy have specific, measurable objectives? Have local salespeople helped to develop that strategy? Does the strategy project a specific volume concert with the NAMs quota achievement and forecasts?
9. Does the Account Plan include personal data regarding key decision makers to determine similar areas of interest?
10. Has the use of technology (electronic data interchange for order entry or billing, for example) been evaluated for the account? Should it be?
11. Are there areas outside normal provisions of standard products where there might exist unique opportunities for partnering with the account?
12. Are there multiple levels of contacts within the account? Do these contact points include contact by anyone other than the NAM?
13. Is the NAM team properly empowered to manage the account?
14. Do we understand the customers' objectives in their own markets? Do we know the decision process within the client account? Do we know what methods are used by the account to groom their future management talent? Do we know the decision-making style of the major decision makers? Do we know the basic business philosophy inculcated in the client's organization?
15. Is there an active program within the account to collect data that allows us to understand and monitor how well we are serving the account?
16. Are we exceeding the client account's expectations of us? If not, why not?

V. Analysis of the National Account Program

1. Are there quantifiable targets in place allowing measurement of National Account program success? By account? In total?
2. Do these targets include sales revenue? Gross margin? Costs?
3. Is the National Account Marketing unit meeting those targets?
4. Are targets realistic in light of the most current information available regarding the market in general and the accounts in particular?
5. Given the company's share of total market, is the National Account program providing a proportionate and expected share of that market?
6. In light of program achievements, should the number of National Accounts be increased? Reduced? Should the number of National Account Managers be increased? Decreased?
7. Based on cost, revenue achievement, and gross margin contribution of the program-to-date, is the National Account activity providing what had been planned for when originally instituted? If not, why not?