

September 30, 1999

JOHN R. WARGO
VICE PRESIDENT, CUSTOMER RELATIONS

SUBJECT: Review of Initiatives to Improve the National
Accounts Management Program
(Report Number RG-MA-99-008)

This is our report on the review of the National Accounts Management Program. Consistent with our efforts to provide proactive feedback to United States Postal Service (USPS) management, we performed a review of the USPS initiatives to improve the national accounts program. The following sections provide information on our review and present our observations and suggestions for improvement.

Results in Brief

Based on our review of national accounts program initiatives, we believe that overall USPS is taking actions which should improve the national accounts program. However, opportunities exist for improving the national accounts initiatives. Specifically, national accounts management personnel were not fully utilized; the resolution of mail acceptance and delivery problems needed improvement; the business agreements initiative provided little or no benefits to either the customer or USPS; and performance indicators for national accounts managers could be enhanced. We also found that national accounts managers were spending excessive amounts of time entering data into the account management system.

This report provides seven suggestions for improvement to strengthen the national accounts program. Management agreed with the suggestions presented in this report. Management's comments are included in their entirety in Appendix B.

Background

USPS National Accounts managers are responsible for the management of national accounts.¹ The mission of these account managers is to leverage business relationships with managed accounts for the retention and development of postal business through higher levels of customer satisfaction as measured by the Ease of Use² indicators. In addition, revenue retention and revenue growth from these accounts are also indicators of success. Account managers provide a link between field account managers, managed accounts, and the organizations that provide the service and mailing solutions to the marketplace.

In the field, the account managers' role is to achieve their customer satisfaction and revenue goals for managed accounts. As of May 22, 1999 there were 252 national accounts. Postal revenues for these accounts from September 12, 1998, through May 22, 1999, exceeded \$9 billion, which represents a gain of \$234 million over the same period last year.

Objective, Scope, and Methodology

The objective of our review was to evaluate the draft proposals on USPS initiatives to improve the management of the national accounts (see Appendix A). To accomplish our objectives, we interviewed USPS Headquarters personnel, four Area Office Marketing and Customer Relations Managers, eight National Accounts Managers, and seven national customers. We also reviewed the nine Postal Service initiatives.

We conducted our review between March and September 1999, in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

¹ National accounts generally exceed \$10 million in annual postal revenue, have significant business growth prospects, and have complex mailings and national visibility. These are revenue producing accounts, which use bulk mailings to support corporation operations.

² Ease of Use is a customer satisfaction survey, which measures the amount and complexity of paperwork, courtesy of the employees, understandability of rules and regulations and customer satisfaction with products and services.

Observations

National Accounts Initiatives

As a result of our review, we determined that overall the USPS was taking steps that should improve the national accounts program. However, opportunities still exist for improving national accounts initiatives. We found that national accounts management personnel were not fully utilized; the resolution of mail acceptance and delivery problems needed improvement; the business agreements initiative provided little or no benefits to either the customer or USPS; and performance indicators for national accounts managers needed enhancement.

Accounts Assignment Initiative

The draft account assignment initiative was developed to address the way national accounts managers were assigned to the various national accounts. The objective of the initiative was to match the resources to the workload to ensure that national accounts managers were properly compensated, national accounts received appropriate sales focus, and accounts were assigned in an equitable manner.

The draft account assignment initiative provided for an evaluation by the area customer relations manager for each national account to determine the appropriate workload values assigned to each national accounts manager. This assessment included the following elements: Revenue, Opportunity, Growth, Sites, Product, and Travel. As of May 22, 1999, there were 252 National Accounts, with a total of 127 national accounts managers. We found that 20 of the 127 (16 percent) national accounts managers did not have any accounts assigned to them. This occurred because Customer Relations officials had not assessed the national accounts managers' workloads in order to equitably distribute customers' accounts. The underutilization of national accounts managers may be inhibiting expansion of new national accounts.

Seven representatives for USPS customers stated that their relationship with USPS had been greatly enhanced since national account managers were assigned to them. Customers considered national account managers an integral partner of their business.

National account managers advised us that they were concerned about problems with the inequity in the number and assignment of accounts and lack of standards for the assignment of site locations.

We believe USPS could enhance the account assignment initiative by considering the following items when assigning accounts to national account managers:

- The number of accounts directly assigned to the national account manager (including any other site locations assigned);
- Complexity of the national account relationships with USPS, (i.e. is the company in a single business or is it a diverse conglomerate);
- The customers expectations of USPS as a partner, (i.e. amount of time customers expect their national account manager to be available to them); and
- Utilization of the Integrated Sales and Service Quadrant theory so as to assure that any one national account manager is not overloaded with accounts which fall into any one quadrant, (i.e. growth or maintain).

Account Management
Team Initiative

The draft Account Management Team initiative proposed the formation of Account Management Teams, Area and District Multi-Site Strategic Teams, and National Account Support Teams. The overall objective of these teams would be to provide integrated support for all national accounts in terms of sales and service. In addition to account teams, the Business Service Network, located at Headquarters, Area Offices, and all District Postal Business Centers, was supposed to be a proactive infrastructure to provide solutions to customers' service-related needs.

We found that USPS personnel did not readily resolve customer mail delivery and acceptance problems. National account managers did not have the authority to resolve issues. Further, customers viewed the Business Service Network as being slow in responding to service issues. As a result, customers' expectations were not met and their

view of USPS ability to resolve problems timely and effectively was negatively impacted.

Customers informed us that they did not always know who to contact and who had authority to resolve mail delivery and acceptance problems in a timely manner. Customers expected that their delivery and acceptance problems would be handled in an expedited manner, especially when time-critical material was involved (retail mailings). In addition, customers would like a single point of contact who would have the authority to resolve all delivery and acceptance problems in a timely manner.

Also, customers had varying opinions as to the effectiveness of the Business Service Network. Customers advised us that they had more faith in the local area Business Service Network than the Headquarters Business Service Network. One customer assigned to the Headquarters Business Service Network advised us that personnel turnovers, scripted responses, lack of timely action, if any, and a lack of knowledge of the customers business and mailing requirements affected their trust in the system. Even customers with faith in the system bypassed the Business Service Network and went directly to their national account manager for certain types of problems, because they knew that their national account manager would do everything they could to try and resolve the problem.

One approach being tested to improve customer mail service acceptance problems is the National Domicile Program. This pilot program provided a single contact for customers to call to resolve rate and classification issues with mailings. On July 14, 1999, this program was expanded because of the success of the program and positive feedback from the mailers, National Domiciles (Classification Support Specialist), and other postal employees. This program assigns a National Domicile to each customer for a variety of reasons, including working with the customer's national office, in advance to ensure smooth transitions in rate and reclassification cases.

We believe that this program offers a service to customers, which is not being currently addressed but is desired by the customers.

Business Agreement
Initiative

The proposed business agreement initiative would create a new agreement between USPS and each national account to communicate ongoing efforts and to establish future account strategies/initiatives. However, a customer would not be required to sign the agreement nor would they be bound to the terms.

New business agreements would provide little or no benefit to either USPS or the customer. Because neither USPS nor the customer is required to sign the agreements, the benefit of such agreements is not clear.

We concluded that the need to create a proposed new agreement, to enhance the current account planning process, may not be necessary. The responsibility for gaining customer agreement is a part of the national account manager's job. During their normal dealings with the customer they should be working with their customer to gain agreement on any proposed action. The time spent working with this proposed agreement could be used more effectively working with the customer to develop new sales opportunities.

Performance Indicator
Initiative

The draft performance indicators for the national account program included actual revenue by product to the account plan and the results of the Ease of Use survey. However, two different consultants in 1998, reported problems with the tracking of customer revenues. Using a comparison of actual revenue to planned revenue, as an indicator of performance, could provide erroneous results and that USPS efforts to improve the revenue accountability need to continue.

We believe that customer satisfaction with USPS and their national account manager should be an equal priority to revenue accountability as a measure of performance. However, the current Ease of Use survey results are not an adequate approach to customer satisfaction, because they are very broad, and do not provide detail as to which customers made the comments. USPS should evaluate the use of a targeted customer satisfaction survey as a better measure of performance.

Suggestion	<p>We offer the following suggestion:</p> <p>The Vice President, Customer Relations, should:</p> <ol style="list-style-type: none">1) Analyze the workload assessment and evaluate the current national account manager assignments with emphasis on the following items;<ol style="list-style-type: none">a) Number of site locations assigned (other than their assigned national accounts),b) Complexity of the national account relations with USPS (is it a single business or a diverse conglomerate),c) Customer's expectations of USPS and their national account manager as a business partner, andd) Utilization of the Integrated Sales and Service Quadrant theory so as to assure that any one national account manager is not overloaded with accounts which fall into any one quadrant (i.e. growth or maintenance).
Management's Comments	<p>Customer Relations Management agreed with the suggestion. Management noted that the way accounts were assigned to national account managers needs to be improved. They believe that the National Accounts program initiatives provide clear policies on the criteria to be used in assigning national account managers to various national accounts. The criteria includes the items noted in our suggestion and are effective immediately.</p>
	<ol style="list-style-type: none">2) Utilize or reassign the 20 national account managers who are not assigned to accounts based on new account assignment criteria.
Management's Comments	<p>Management agreed with the suggestion. They noted that the Area Marketing Managers have agreed to have accounts assigned to all national account managers by the end of the first quarter of FY 2000.</p>
	<ol style="list-style-type: none">3) Consider expanding the National Domicile program to allow for the mail acceptance problems of all national accounts to be handled through this program.

Management's Comments	Management agreed with the suggestion. They noted that the Manager, Marketing Technology and Channel Management, directs the National Domicile Program, not Customer Relations. They agreed that the program needed to be closely integrated with the Business Service Network and that they have taken steps to discuss with the program manager how the integration can be accomplished. Customer Relations will share our suggestions with the program manager and they will work jointly with them to determine how or if the program will be expanded.
	4) Consider expanding the district and area Business Service Networks to provide better and more timely resolution of delivery and acceptance related problems.
Management's Comments	Management agreed with the suggestion stating that the Business Service Network performance should be at the same high-level of excellence at Headquarters, Area and District Sites. They were surprised with our findings concerning the Headquarters Business Service Network and plan to investigate the cause of the problems noted to assure that appropriate corrective actions are taken to improve the Business Service Network.
	5) Review the Business Agreement proposal to determine if it is practical and necessary.
Management's Comments	Management agreed with the suggestion. They noted that the original business agreement proposal is obsolete. They are considering alternatives and asking the national account managers to provide additional feedback.
	6) Consider the use of a targeted customer satisfaction survey to evaluate the performance of the national account managers.
Management's Comments	Management agreed that our suggestion concerning the use of a targeted customer satisfaction survey had merit and plan to search for a practical method to implement a revised targeted survey.
Evaluation of Management's Comments	Management's comments meet the intent of the suggestions.

Account Management System

National account managers were spending excessive amounts of time entering data into the account management system.³ We found that this problem developed over time because the software applications, for the account management system, were created individually using different computer language platforms without considering the integration with other programs that were in use. We believe that the system needs to be modified to make it more user friendly by linking the various applications. Reducing the time spent entering data into the account management system could free up more time for the national account managers to perform their customer relation duties and develop new revenue opportunities.

Although we found that USPS was currently working on a modification of the system, the prospect of a fully integrated system was still some time away and its completion was subject to future funding.

Suggestion

We offer the following suggestion:

The Vice President, Customer Relations, should:

- 7) Increase the priority of the integration/linking between computer applications of the Account Management System.

Management's Comments

Customer Relations Management "strongly agreed" with our suggestion. They noted that they would continue to work closely with the Marketing Technology and Channel Management group who has the responsibility for integration of the Account Management System. Currently the development of the integrated application has been delayed because of the freeze in new program development related to Y2K. Marketing technology plans to have the system fully developed and implemented by March 2000.

Evaluation of Management's Comments

Management's comments meet the intent of the suggestion.

³ Account management system consists of four parts: the Account Revenue Plan, Account Net, Account Management Process, and the Business Service Network.

We appreciated the cooperation and courtesies provided by your staff during our review. If you have any questions, please contact me at (703) 248-2300.

Sylvia L. Owens
Assistant Inspector General
for Revenue/Cost Containment

cc: Clarence E. Lewis, Jr.
Allen Kane
Kenneth Cowell
Ann Wright
Alan B. Kiel
John Gunnels

NATIONAL ACCOUNTS INITIATIVES

Version Reviewed
By OIG

Objective: Redesign National Accounts program to meet changing customer expectations	Initiative: Account Assignments	Lead: Mid West; NY Metro	Resource: Arthur Porwick	Major deliverables: 1. Criteria 2. Process	Briefing date: June 23	Initiative Dated 6/29/99
	Initiative: Account Plans	Lead: Mid Atlantic/ Mid West	Resource: Pat McGee	Major deliverables: 1. Barriers & Solutions 2. Training module	Briefing date: July 15	E-Mailed Document Received 7/1/99
	Initiative: Account Teams	Lead: Allegheny; Western	Resource: Ann Wright	Major deliverables: 1. Team make-up 2. SOP/process 3. Training module	Briefing date: June 23	Mailed Document with Cover Letter Dated 7/12/99
	Initiative: Business Agreements	Lead: Southeast	Resource: Arthur Porwick	Major deliverables: 1. Format 2. Training module	Briefing date: June 23	E-Mailed Document Received 7/6/99
	Initiative: Business Partners	Lead: Great Lakes	Resource: Jay Freitas	Major deliverables: 1. Definition 2. Strategies/SOP 3. Training module	Briefing date: July 15	E-Mailed Document Received 7/13/99
	Initiative: Indicators	Lead: Pacific	Resource: Ken Cowell	Major deliverables: Leading indicators	Briefing date: June 23	E-Mailed Document Received 7/7/99
	Initiative: National Accounts Criteria	Lead: Southwest	Resource: Ken Cowell	Major deliverables: 1. Criteria 2. Process	Briefing date: June 23	Initiative Dated 7/20/99
	Initiative: Role of Senior Mgmt.	Lead: Northeast	Resource: Arthur Porwick	Major deliverables: 1. Criteria 2. Roles & Responsibilities	Briefing date: July 15	Faxed Document Received 6/30/99
	Initiative: Selection, Training, Rewards & Recognition, Job Descriptions	Lead: Capital Metro; Western	Resource: Peter Zeranski	Major deliverables: 1. Processes 2. Criteria 3. Documentation	Briefing date: July 15	Mailed Document Received 8/4/99



September 28, 1999

SYLVIA L. OWENS
ASSISTANT INSPECTOR GENERAL
FOR REVENUE/COST CONTAINMENT

SUBJECT: Response to Draft Management Advisory Report - National Account Management Program (Report Number RG-MA-99-Draft)

We appreciate the opportunity to review the draft report that was prepared after the review of the National Accounts program. As the report acknowledges, National Account customers provide significant levels of Postal Service revenues, and we welcome the IG's interest in helping the Postal Service identify ways to work with those customers more effectively.

In March, Customer Relations and the Area Marketing Managers initiated the nine initiatives referenced in the report to improve the effectiveness of the National Accounts program. Several of the issues raised in the report will be addressed by implementing the recommendations developed through those initiatives:

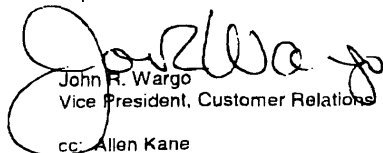
- **National Account Manager Assignments:** We agree that the way accounts are assigned to NAMs needs to be improved. The initiatives provide clear policies on the criteria used to designate a customer a national account and for making account assignments. The complexity of the account and the customer's expectations of the USPS are considered when the decision is made as to whether or not to make the customer a National Account. Part of the criteria for assigning accounts is based upon revenues provided by the accounts. The policy also defines the responsibilities of the NAM regarding headquarters locations, output sites and subsidiaries. The Area Marketing Managers agreed that NAMs will not be assigned to output sites for National Accounts managed by other NAMs. The quadrant approach will also be a factor in making account assignments. These policies are effective immediately.
- **Utilization of National Account Managers:** Customer Relations agrees that all National Account Managers should be assigned accounts. The Area Marketing Managers have agreed that by the end of Quarter I, FY 2000 all National Account Managers will have account assignments.
- **Expanding the National Domicile Program:** The National Domicile Program is an effort directed by the Manager, Marketing Technology and Channel Management, not Customer Relations. We agree that this program needs to be closely integrated with the BSN and we have already taken steps to discuss with the program manager how this can be accomplished. The National Domicile Program is meant to include a very limited number of customers who meet some stringent criteria based on their size and mailing complexity. It covers only those National Accounts who are Business Partners, and will include primarily very large printers. We will share your suggestions with the program manager and we will jointly determine how or if the program should be expanded.
- **Expanding the District and Area Business Service Networks:** We agree that BSN performance should be at the same high-level of excellence at HQ, Area and District BSN sites.

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We are surprised by your findings regarding the HQ BSN because data that we have been monitoring indicates that the HQ BSN performance equals or exceeds that of the field units in most categories. We will investigate further to determine the cause of the problems and we will take whatever actions are necessary to correct the problems. Customer Relations is committed to making continuous improvements to the BSN.

- **Review the Business Agreement Proposal:** We agree that the original business agreement proposal is obsolete and Customer Relations is considering alternatives. The NAMs will be asked to provide additional feedback on this concept at a National Account Management training symposium October 25-28.
- **Consider the use of a targeted customer satisfaction survey:** We agree that this suggestion has merit and we will search for a practical method to implement a revised survey that is account specific. In developing a sales proficiency indicator, the Customer Relations group envisioned surveying customers to determine their satisfaction with National Account Managers. This approach was abandoned because of the difficulty in implementing the concept. National Account Managers frequently have multiple contacts within multiple offices, departments, or business units of a National Account; therefore, identifying the "right" individual or individuals in a position to comment on behalf of the customer is impractical. We are also faced with potential bias in responses, as National Account Managers have well-established relationships with potential customer survey respondents.
- **Integration of the Account Management System:** We strongly agree with this suggestion. The responsibility for integration of account management systems falls in the Marketing Technology and Channel Management group, and we will continue to work closely with that group in identifying requirements. Development of the integrated application, tentatively named "Eagle Vision," has been delayed because of the freeze in new program development related to Y2K. Marketing Technology currently plans the application to be fully developed and implemented by March 2000.

Customer Relations intends to act upon the recommendations specified in the report and take improvement actions that are within the scope of our authority.


John H. Wargo
Vice President, Customer Relations

cc: Allen Kane
Clarence Lewis
Vice Presidents, Area Operations
Area Marketing Managers
HQ Customer Relations Managers

**Major Contributors to
This Report**

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