

## ChapterFour

### Could You “Manufacture” Customers?

#### MARKETING/SALES HAVE BEEN LEFT BEHIND

The great strides in management over the last 100 years have been the result of the systematic analyses of business processes and the development of proven management techniques and intervention technologies. Perhaps the greatest strides have been made in the manufacturing arena, although other business functions — finance, engineering, human resources, and so on — have also benefited.

But marketing and sales have not. These two overlapping functions continue to be managed, for the most part, by the same “seat of the pants” methods that they always have been. While it’s true that certain sub-areas of the marketing and sales functions are now truly analytical (data mining and market research, for example), the entire functions still lack truly rigorous management.

This lack of progress in the marketing/sales area is an inevitable result of two fundamental deficiencies:

- 1 The lack of a complete, over-arching, integrated, detailed model of the two functions.
- 2 The lack of proven management methods in marketing/sales.

Without a complete, over-arching model of these functions, there can be no true understanding of them, no grasp

of the sub-functions that compose them (and their relationship to each other), and no systematic analysis of them. Certainly, there can be no application of proven management methods to marketing/sales if there is no understanding of these functions at a detailed systems level.

#### **APPLYING “MANUFACTURING” PRINCIPLES TO MARKETING/SALES**

What if you considered marketing/sales as a manufacturing process and considered the output of this manufacturing process to be loyal, profitable customers? That perspective would allow the application of rigorous manufacturing-based management methods to this new “Customer Manufacturing” process. Why manufacturing-based management methods? Because these methods are not, in fact, manufacturing-specific. Instead, they apply to any well-defined process and they have proven themselves as practical, effective management methodologies over the last 50 years.

How are product manufacturing and marketing/sales similar? Both are processes that take raw material, transform it, and output a desired good. Specifically, marketing/sales takes suspects (raw material), provides value-added goods or services (the transformation), and produces loyal, profitable customers.

Marketing/Sales is further like manufacturing in that each of these functions can be managed as a set of work-cells with raw material as input to the cell, work-in-progress (WIP) within each cell, and finished goods as output of the cell. In a lead qualification work-cell within the sales process, for example, the work-cell input may be a lead, the WIP, or value-add within the cell, may be the conversation that the salesperson has with the prospect, and the work-cell’s output is the decision of the salesperson about what to do next with the prospect.

Likewise, in a market research process, the understanding of competitive pricing may be an individual work-cell. Here the inputs are the data gathered from the press, web sites, the sales force, and so on; the WIP is the analysis of this data to discern trends and meaning; and the output consists of reports and recommendations to other work-cells within sales strategy and market positioning.

Like a series of manufacturing work-cells, each marketing/sales work-cell has scrap rates, yields, quality measures, and latencies. Viewing marketing/sales in an integrated, work-cell-like fashion thus allows time-proven process management principles to be applied to the management of the system.

Engineering/Production is now an integrated process in well-managed companies. Marketing/Sales needs to become a well-integrated process too. In fact, marketing is to sales what engineering is to production. Just as in the manufacturing process, where design errors create headaches for production, any deficiencies in marketing will inevitably manifest themselves as problems for sales.

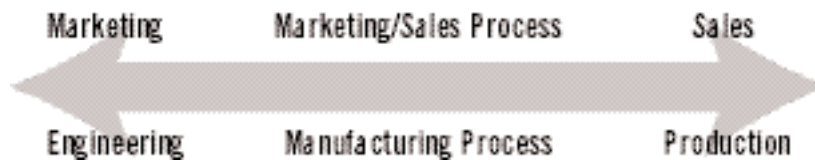


Figure 4-1

For example, in the “old” days, if your production line was producing faulty goods, you’d go to the production manager and scream at him (it was usually a “him” back then), in the belief that your production quality would improve. Back then,

it never occurred to you that the reason that the production lines were having trouble producing “good” stuff was that the design of those items might be faulty. It may have simply been a bad design, or maybe it was a good, but not a manufacturable, design.

Now, as silly as this sounds today in a manufacturing context, we nonetheless still see the same thing going on in a marketing/sales context. Today, if sales are off, you tend to hunt down your sales manager and flog him or her in the belief that that’s how you cause sales to improve. Yet the real problem causing sales to be down may be that the groundwork for those sales — done by marketing — is faulty, or that marketing specified an un-sellable product. In *The Secret to Selling More*,<sup>35</sup> Mitch focuses in detail on this subject.

#### **A COMPLETE MARKETING/SALES MODEL**

A model is a description of a set of activities that orders and makes sense of them. Both marketing and sales are composed of hundreds of individual tasks and activities. This inherent complexity, coupled with the long-standing feeling that these functions are more art than science, has led most companies to manage their marketing and sales functions on an event or project basis (or even on a crisis basis.) To be managed effectively, however, marketing/sales must be *managed as a process*.<sup>36</sup>

A useful process model provides three main benefits:

- It delineates and orders all of the activities of marketing/sales in a structured hierarchical manner; as such,

35. Mitchell Goozé, (Santa Clara: IMI 2001), 73-138

36. Recall that we believe that an information-flow based process description is the approach best suited to managing real-world marketing/sales systems.

it allows you to build a marketing/sales process that is *comprehensive*—with nothing falling through the cracks (indeed, without any cracks.)

- It defines the information flows between the elements and sub-elements of the process; thus ensuring that marketing/sales is an *integrated* function, and that the information it operates on is *complete* and *accurate*.
- It allows the marketing/sales process to be managed with the methodologies that have proven so successful on the manufacturing floor.

#### HOW DOES A USEFUL MARKETING/SALES PROCESS MODEL WORK?

A useful marketing/sales process model based on the manufacturing metaphor takes an existing set of ad-hoc marketing and sales activities, and transforms them into a reliable, repeatable System to Manufacture Customers.<sup>37</sup> This is accomplished in several steps. The first is to structure marketing/sales as a series of work-cells, using the Customer Manufacturing System process model as a design template from which a company-specific System to Manufacture Customers is produced. This is generally accomplished in chalk-board or brown-paper sessions with corporate management and marketing and sales management after an in-depth assessment of a company’s existing marketing and sales activities.

The second is to measure and manage the individual work-cells, as well as the overall Customer Manufacturing plant with appropriate techniques. Note that we put “measure” before “manage.” You can’t manage what you can’t measure —

37. The term *Customer Manufacturing System* refers to our process model for manufacturing customers. The term *System to Manufacture Customers* refers to a specific concrete instantiation of the Customer Manufacturing System. In other words, using the *Customer Manufacturing System*, a company can create its own *System to Manufacture Customers*.

a lesson that the production floor has learned painfully over the last few decades. Just like a series of manufacturing work-cells, at each marketing/sales work-cell you will have scrap rates, yields, quality rates, and time delays. Acceptable measures for each of these must be determined. After capturing this data over time, you can then manage each work-cell, and the overall marketing/sales process, with the process principles of *lean thinking*, *constraint analysis*, and *continuous improvement*. These are *not* just manufacturing-specific management tools — rather they are *process* management tools. These techniques apply equally well to a well-defined marketing/sales process as to a manufacturing process.

For example, quality control is a foundational competence for any modern manufacturing organization, and it's thoroughly incorporated into the production operations of competitive businesses. Marketing/Sales, however, has been resistant to the application of TQM. The reason is simple — you can't maintain quality control of a process if you can't describe the elements (work-cells) of the process, and precisely define the required inputs, desired outputs and in-process criteria of those work-cells. It would be like trying to institute TQM in a manufacturing plant that had no defined production process and no specifications for the incoming material or the finished goods of each work-cell. However, by instituting a complete, detailed, and integrated marketing/sales process, the time-proven tool of quality management — among others — can be applied.

Note that the key to improving the contribution of any particular marketing/sales activity is contained in the basic understanding of marketing/sales as a process of linked activities. Thus, no “work-cell” within the total marketing/sales

process (a System to Manufacture Customers) can be evaluated and improved without understanding what the upstream work-cells are providing and what the downstream definition of quality output from a work-cell should be. This basic tenet is at the heart of good manufacturing practice today. It can be successfully applied to Customer Manufacturing as well.

### MARKETING AS A PROCESS

It can be argued that the sales function already has a number of available methods to order its activities into a systematic process. However, the concept of Customer Manufacturing takes these programs further, and, more importantly, orients the sales process to a whole new compass. We describe this in detail later, but briefly: In true Customer Manufacturing, the design of your sales process *starts* with your understanding of your customer’s *buying* process. This buying process, in turn, is one of the things that is assessed in the Environmental Influences Assessment segment of the Customer Manufacturing process. Each and every element and step of your selling process is thus keyed off of a corresponding activity in your customer’s buying process. By using a Customer Manufacturing construct you are forced to sell in the way that your customer wants to buy—not the way you might prefer to sell. (For more discussion of this topic, see Chapter 11.)

However, no one would seriously argue that the “front-end” of marketing has ever been a well-ordered process—let alone a well-ordered *and* effective one. One of the main benefits of the Customer Manufacturing construct is that it provides a coherent and complete process model for these front-end activities: Whether you use our specific constructs of

Environmental Influences, Value Specification and Solution Development, or other equivalents, having a true process in place for these functions—particularly a process that integrates with sales and product development — is something that most companies have never experienced.

Employing a marketing/sales process model does not require the invention of any new marketing or sales techniques. A well-constructed process model uses common marketing, sales and corporate resources and general management skills, but it combines them in a new way. It defines a new *process*, a way to *integrate* existing or known activities so that they support and reinforce each other, and together compose a unified marketing/sales function that's integrated with other corporate functions and processes.

The concept of Customer Manufacturing defines marketing and sales both broadly and in detail. It therefore allows for clear job definitions and project goals, and exposes skills gaps. The use of such a structured model defines a common language, process, and format for marketing and sales activities across time, business units, and projects. It can ensure the completeness of the data used in decision-making, it forces appropriate data analysis, and it demands essential decisions. As a repeatable process, it promotes organizational learning and clearly establishes the role and value of marketing and sales.

#### **INTEGRATED WITH PRODUCT DEVELOPMENT**

One of the main requirements of any useful marketing/sales process is that it is explicitly designed to integrate with structured product development processes (or expanded, post-critical stage product development processes like Product Lifecycle Management) of the sort that most

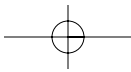


competitive companies are now adopting. A structured marketing process is a necessary part of a structured product development process—without it, a product development process lacks direction and market feedback and, as discussed earlier, simply becomes a product development process at best. By design, the marketing decisions demanded at various points during a phase-review-type development process are the natural output of a correctly constructed marketing/sales process.

A useful marketing/sales process further defines the communication links between these two processes (marketing and product development), and the data that will be communicated at those decision points. It forces these communications to happen and to replace the time spent on ad-hoc, unstructured meetings, thus keeping the two organizations synchronized. It allows administrative communications (such as status reports and “over-the-wall” requirements) to be replaced by defined decision points with appropriate data available for those decisions. It defines the makeup and role of a Corporate Marketing Committee that is analogous to the Product Approval Committee defined in many structured product development processes. It also establishes links to projects’ core teams and defines a high-leverage role for marketing management.

### **A STATE PROCESS**

In a new product development context, the front-end marketing activities designed to support product development constitute a *state process* — in contrast to a linear process that proceeds from one step to another. A linear process review is concerned with the health of a process at a single point; a state process review is concerned with the health of all of the



interacting elements within the process and with the health of the interactions themselves.

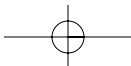
In a linear process, such as a phase-review type process, used in high performance product development efforts, once a process point, or phase, is passed, it is complete, and the process moves onto the next point, or phase.<sup>38</sup> By contrast, in a state process, all the elements are continuously active. For example, once a product specification is drawn up and agreed upon, it is not usually revisited.<sup>39</sup> However, market research, opportunity identification, and promotional tactics are continually ongoing activities and are continually revisited and tuned. (See Figure 4-2.)

In a marketing/sales process based on the manufacturing analogy, a formal review process, in this case a state review process, relying on the measurements specified at each work-cell, replaces the ad-hoc marketing decision making that usually occurs in organizations. Ad-hoc<sup>40</sup> “non-processes” tend to generate “non-decisions” or reactionary decisions, resulting in wasted time and missed opportunities. Of course, such confusion and “un-management” greatly lowers morale

38. It is true that there are many cyclic and iterative activities in any engineering or Product Development (as used here) process. Our point here is that an overall Product Development process moves (or should move) steadily forward. The whole point, after all, is to reach the end-point of a fully developed product. Marketing, by contrast, is much more state-like, in that it more-or-less continuously churns the same decisions, while outputting different information based on the continuously changing environment.

39. Both marketing and product development processes have various degrees of re-visiting activities. But the re-visiting of activities that a product development process does, such as in tweaking of the specification based on on-going market changes, or the changes to the specification based on engineering trade-offs, occurs at a lower level in a higher-level overall product development process, which is a linear process. Contrast this to the marketing process, in which all activities, information, and decisions are constantly being re-visited at the highest level of the process.

40. Note that we are using the term “ad-hoc” here with its usual, common meaning of “for this special purpose only,” which should not be confused with the technical meaning of an “ad-hoc” process described earlier.



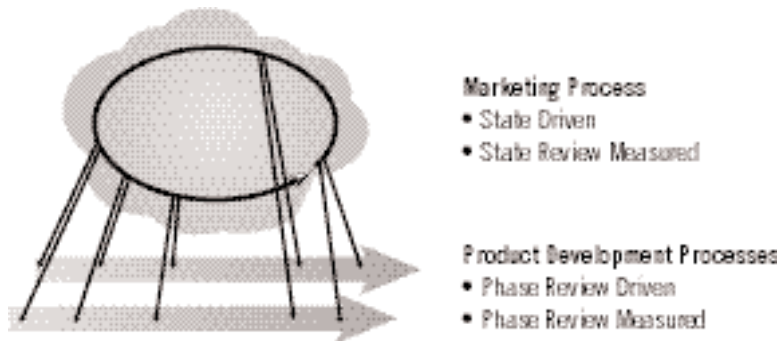


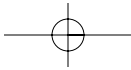
Figure 4-2

and productivity, and the most talented people tend to leave such organizations.

The decisions to be made in these reviews are defined. The completeness of the data at each stage in the process is reviewed and the quality of the output of each work-cell is examined. State reviews, in a process driven environment, force the right level of management involvement at the right time, thus avoiding management “mines” — those gigantic problems that suddenly blow up on management with no warning. It also eliminates management involvement at too low a level, which is all too common and highly counter-productive.

#### **MINIMUM NECESSARY SPECIFICATION**

A useful marketing/sales process model is a *minimum necessary specification* of the marketing/sales process. It defines a marketing/sales process only to the extent necessary to ensure that all marketing activities are done completely and coordinated properly. It is flexible enough by design to be adaptable to business units and entire corporations of almost any size. And it accommodates the specific organizational and market



characteristics of a particular situation. It does not straight-jacket an organization into rigid formality; rather, it guides it through a complete and thorough examination of the market, its opportunities, the development process and promotional tasks. It provides a structure upon which to build a company-specific process. As Geoffrey Moore once said, “A model’s just a trellis. Your object is to grow a rose.”<sup>41</sup>

### FORWARD LOOKING

Any useful marketing/sales process model is forward looking. It is concerned with mapping present efforts to future states. By design, it avoids the fatal mistake of reacting to a competitor’s or the market’s present state — it forces decisions to be made on the basis of anticipated future states. High-technology companies in particular need to be acutely aware of the differences in marketing tactics and strategies during different time periods. In *Crossing the Chasm*, Geoffrey Moore points out that appropriate marketing activities, during the next product life stage, are often not just different, but the *opposite* of the appropriate marketing approach during the existing stage.<sup>42</sup>

In the last 50 years, we have witnessed the great strides that manufacturing has made as a result of becoming process-driven and managing that process with proven techniques. This same approach — applied to marketing/sales — will define the winners and losers in the early decades of the 21st Century.

41. "An Interview with Geoffrey Moore," *Marketing Computers*, (October, 1995), S10-S16.

42. Moore, (New York: HarperCollins, 1991)

