

LEAN/SIX SIGMA MARKETING AND THE SALES PROCESS

A common complaint in companies is that sales are unpredictable: not enough or too much but never matching production capacity. Peaks and troughs are uncomfortable bedfellows for fixed capacity production processes, and most businesses, even non manufacturing businesses, operate best with a steady workflow.

Manufacturing has responded in recent years with waves of initiatives which seek to optimise the production process and match supply and demand more precisely. Lean and Six Sigma have been in the forefront with their battery of process optimisation tools such as Kanban, Just-In-Time and Kaizen. Before that it was the quality movement with ISO9000 and TQM, then Re-engineering when only a complete re-think would do, and the Theory of Constraints which can be utilised with any of these initiatives.

In some cited examples the results have been dramatic. Whilst companies can be understandably reluctant to reveal the extent of savings being made some government bodies have gone public. The Royal Navy saved £110 million without reducing front line capability. The US Navy is even more enthusiastic having saved over \$500 million on just one programme.

Marketing has been slow to respond. There is no equivalent to Lean and Six Sigma to help optimise the sales process. Demand management models – such as used by the budget airlines – have filled the gap for products where price is of paramount importance and the product quickly becomes obsolescent but otherwise marketers have been left trailing in the wake of whichever current management philosophy is producing results. Could some of these techniques, and especially Lean and Six Sigma, make a contribution to improving marketing? This article argues that there is much to admire and much to learn from these movements.

Taiichi Ohno, the father of the Toyota Production System, has come closest to recognising the problem of matching supply and demand by advocating that the scheduling of work should be driven by actual sales and not sales/production targets. This has been a step forward. There is little doubt that converting sales from a variable to a fixed has led to a smoothing out of production, less work-in-progress and a consequent improvement in 'quality' including delivery on time.

It could be argued, however, that this approach has avoided the core problem of how to get demand and supply to move in concert. It also begs the question of how many sales have been lost as a result of an inability to respond to unpredicted and unplanned-for demand.

Lean and Six Sigma address this problem. Both are process driven initiatives and both start with the customer. Both also seek to optimise the output of the whole system rather than focusing on local optimisation.

Marketers will welcome the fact that the initial focus is on identifying customer needs. Lean seeks to reduce operating expenses by eliminating non value-added waste; Six Sigma gets variations under control so improving quality and consistency (see box). Most practitioners now see the two philosophies as complementary. Both have a box of tools designed to capture the 'Voice of the Customer'. Any marketer familiar with modern market research techniques will not feel challenged by any of these.

Where Lean/Six Sigma moves the debate forward is that the process of capturing the Voice of the Customer is built into the process of new product development and, ultimately, production. It is integral to it. Such tools as the House of Quality and Quality Function Deployment are a welcome addition to the marketing toolbox effectively taking over where market research leaves off. The former captures customer requirements from a number of sources into a single diagram—pray that it never gets into the hands of your competitors! — and the latter converts this information into a manufacturing specification. Lean would emphasise that all non value added product features should be eliminated as 'waste'. The latter is the biggest profanity in the Lean dictionary. The judgement of what is waste and what isn't is based on the willingness of a customer to pay for the feature. Six Sigma would strive to deliver what is left to the standard required by the customer and to a consistent quality. Marketers will welcome such an appreciation of the importance of

Lean

Many claim to be the founder of lean and its origins almost certainly lie in the work study movement but Toyota is seen to be the modern exemplar. The Toyota Production System is held up as being the paragon of lean thinking. Lean manufacturing is a philosophy aimed at eliminating waste from the production process. It has helped thousands of companies improve productivity in their manufacturing processes.

Six Sigma

Six Sigma was originally developed by Motorola to systematically improve processes by eliminating defects— Six Sigma means that a defect rate of 3.4 parts in a million is the target where most companies operate at about 67,000 defects per million. The core of Six Sigma is statistical process control where decisions are based on data.

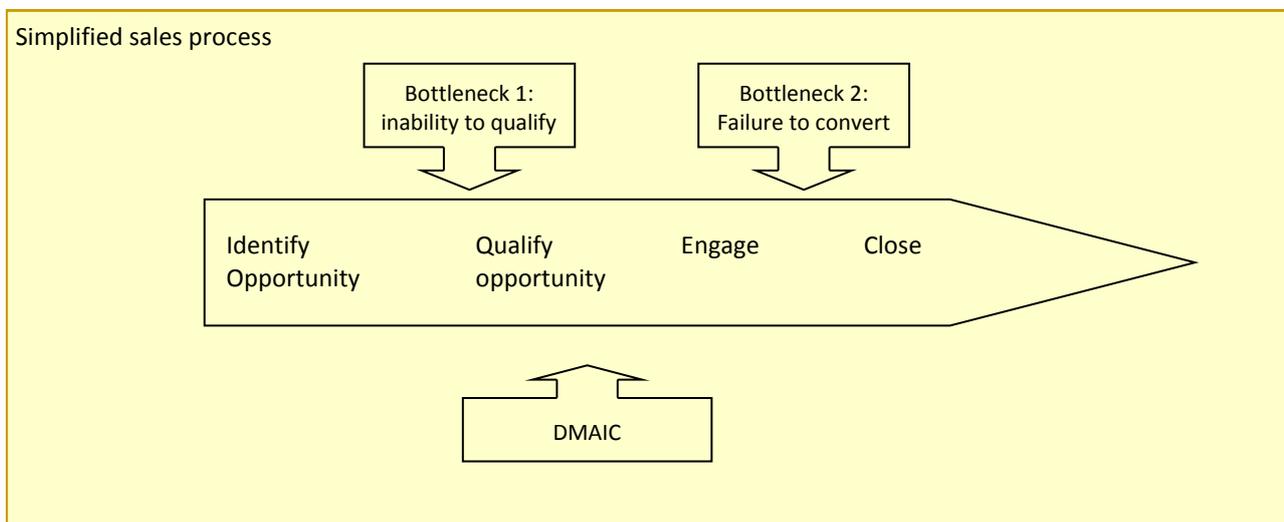
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identifying customer needs in a production environment. So far, so good.

Where Lean/Six Sigma thinking has moved the debate forward is in its process approach as applied to the sales process. Six Sigma sees the sales process as a production line. It is a series of steps to a pre-determined goal – creating a customer. The ‘customer’ has to be defined with care. It may, of course, be outside the company – the

Most importantly, by taking a holistic or systems approach, a more predictable outcome from the overall process will be achieved. Optimising one element of the process (marketers will feel happier calling it the marketing mix) does not necessarily result in the optimisation of the whole process.

Six Sigma has two core methodologies: DMAIC and DMADV. DMAIC is used to improve



conventional definition – or within the company: another department, the company itself, or even another process.

The implication is that there is nothing within Lean/Six Sigma which prevents marketing from using its techniques to optimise the sales process. Start with defining the ‘customer’ - many would argue that it should be production albeit with a broader definition if the company is a service provider – capture the Voice of the Customer, define precisely the product specification, and then determine the steps required to achieve the goal. See the diagram for a simplistic depiction. Old time marketers will see this as just another form of marketing action plan but there is value in integrating marketing and using a common language.

If marketing is going to leverage the sales process, it needs a good grasp of what the steps are and how any actions are going to influence those steps toward the desired outcome. Six Sigma would measure each of the steps to death in a way that would frighten most sales reporting systems. The essence of Six Sigma is statistical process control but the uncertainties inherent in marketing suggests that this could be well watered down in favour of greater use of visual depictions of variations.

existing business processes, DMADV for totally new situations (re-engineering addresses the same issue). DMAIC consists of five steps: Define, Measure, Analyze, Improve, Control. If you define your sales process as the process by which you identify customer opportunities, qualify those opportunities, engage with those opportunities, close those opportunities, Six Sigma offers a more systematic way to understand, plan, manage, and improve this process.

The idea of using Six Sigma to improve the sales process is innovative but it does make sense. A process consists of related and ordered steps to a predetermined goal. Improving sales and marketing by treating them as an assembly line is a not lot different than building an assembly line to manufacture automobiles. Once you understand that without sales there is no need for production, you start to realise that if you applied the same principles to the sales process that are common to production you would end up with a method of managing the complete sales function which would produce far more predictable outcomes.

The terminology used in Six Sigma is not necessarily helpful. Some re-interpretation will be required to adapt it for marketing use. Defects (waste) will need re-defining: a lost customer, a

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sales lead that is not followed-up, a rejected quotation, a mail shot that does not get a response are all examples of waste. But, once you know what a customer is worth to your company, then you also know what it costs if you do not to win that customer. Since it is either your ability to sell or your ability to fulfil that is keeping your company from growing, a good first goal for marketing is to generate enough leverage in the sales process to meet capacity requirements. Everything will flow back from this position.

After mapping the sales process, defining the defects and building the marketing programs to stimulate these processes you will be able to implement the improvements and monitoring controls that will eliminate the waste from your sales process. Continuing improvement will keep the process on track (Kaizen).

Theory of Constraints

Another methodology for continuing improvement in a process environment is the Theory of Constraints (see box). If Six Sigma can seem a little daunting to the smaller company, TOC is much more accessible tool.

According to TOC every process is subject to constraints or bottlenecks and removing these will bring opportunities to increase sales. Imagine the sales process as a pipeline. TOC argues that opening one tap (or bottleneck) more than another will do nothing to increase flow. You need to open the one which most constricts the flow first . . . and then the next . . . and then the next starting from the source. Only by increasing flow through the first bottleneck can overall throughput be increased. Whilst this may seem common sense many marketing activities are judged in isolation without regard to their ability to increase the throughput of the whole system. Both Lean/Six Sigma and TOC are concerned with the output of the whole system not the efficiency of the individual sub process.

A simple example applied to the sales process demonstrates the basic point that TOC is making. A new advertising campaign may well stimulate enquiries but if they cannot be processed by the sales team there is no overall benefit to the business. Similarly, introducing a new training course on closing techniques will have little impact

when there are insufficient sales leads being generated.

TOC has a methodology for addresses so-called bottlenecks the aim being to optimise the complete system rather than one element in isolation. It can be seen as a more user friendly version of DMAIC and as less time consuming and more easy to understand without special training.

Conclusion

Marketing has a long history of borrowing concepts from other disciplines and re-inventing them as its own. The good work done in production over the last 30 years could well be the next step in that long tradition. Systematising the marketing function in order to reduce waste, improve efficiency and increase predictability of sales would be welcomed by all. It also has the by-product of presenting the marketing process in a manner which is closer to production thinking and will help the two functions better understand each other.

Theory of Constraints

TOC is a philosophy which aims to continually achieve more out of a system. If the goal is to make more money, apart from cutting costs, you have to sell more. According to TOC, every process must have at least one constraint or bottleneck which prevents the system from achieving more. Even the argument that the market is the constraint receives short shrift from TOC. If there are more orders outside of your company than in it then TOC would argue that it is not the condition of the market that is constraining growth, the bottleneck must be inside the company.

Key steps in implementing the TOC approach:

1. Identify the constraint .
2. Exploit the constraint .
3. Subordinate everything to the constraint
4. Elevate the constraint (increase capacity)
5. Repeat (if successful, the constraint will have moved)

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