Automating Demand Generation.

The Power of "Factory Thinking" in Sales and Marketing

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How leading companies are using management techniques, traditionally applied to manufacturing, to optimize and accelerate the demand generation process.

Overview

Today's business-to-business companies face serious challenges. Marketing channels are becoming increasingly saturated, suspects and prospects are more difficult to reach, and the competition for the attention of buyers, influencers and even users has never been greater.

Where can the battle be won? According to a report by Sirius Decisions, it is at the top of the classic sales funnel. It is here — where suspects are identified, interest is captured, demand is generated, and leads are nurtured — that marketers have the greatest influence on sales results. Conversion rates further down the funnel, in such areas as appointment setting, proposal presenting, and closing vary remarkably little.

It is imperative for b-to-b marketers to be able to clearly see the opportunities and impediments in their demand generation processes, so they can break the bottlenecks, eliminate waste, and strategically allocate resources to produce results. They need to view demand generation, not as a series of disjointed activities and hit-or-miss campaigns, but as a unified set of processes — a specialized kind of factory — that consistently and predictably "manufacturers" demand.

As Tony Jaros, VP and Research Director for Sirius Decisions says, "In any functional area of business, set processes help us to determine what materials should be used to create something, by whom, in what time and at what cost. But the absence of true processes in sales are costing companies across the globe millions of dollars in lost revenue, increased costs and missed forecasts each year."

> "Ask the engineers at General Electric how to manufacture jet engines, and you'll get a set of documents detailing a painstaking process followed by everyone with razor-like precision. Ask the software designers at Microsoft how they built Windows, and you'll get a hard-and-fast list of code provided in stepwise fashion. But ask these same companies the process they use to sell their jet engines, software or services, and you'll likely get as many different answers as people you ask."
>
> *– Tony Jaros, Sirius Decisions*

This paper discusses how leading companies are using "Factory Thinking" to optimize and accelerate demand generation. The results? Lower costs, repeatability, higher sales — *sooner*, and, in many cases, a significant competitive advantage.

In the following pages, we take a closer look at how factory thinking works; the limits of this analogy; what management techniques from manufacturing can be applied to sales and marketing; the steps to take; and real-world examples of how companies are benefiting.

True, demand generation can never reach the "well-oiled machine" status of an efficient manufacturing plant — but by leveraging the right technologies and expertise, it *can* come remarkably close.

How does "Factory Thinking" work?

In goods manufacturing, raw materials are acquired and processed through a series of steps to create an end product. To employ a very simple example, consider a kid's lemonade stand. To satisfy the thirst of sidewalk customers on a sunny afternoon, she would have to set up a production line — probably on the kitchen counter. Her raw materials would be water, lemons, sugar, and ice cubes. The end product? A jug of lemonade.

In sales and marketing, there are raw materials and end products too. However, these are defined differently:

Raw Materials – website traffic, white paper downloads, mailing lists, telemarketing lists, prospect databases, tradeshow visits, etc. Essentially, names of people who may become customers.

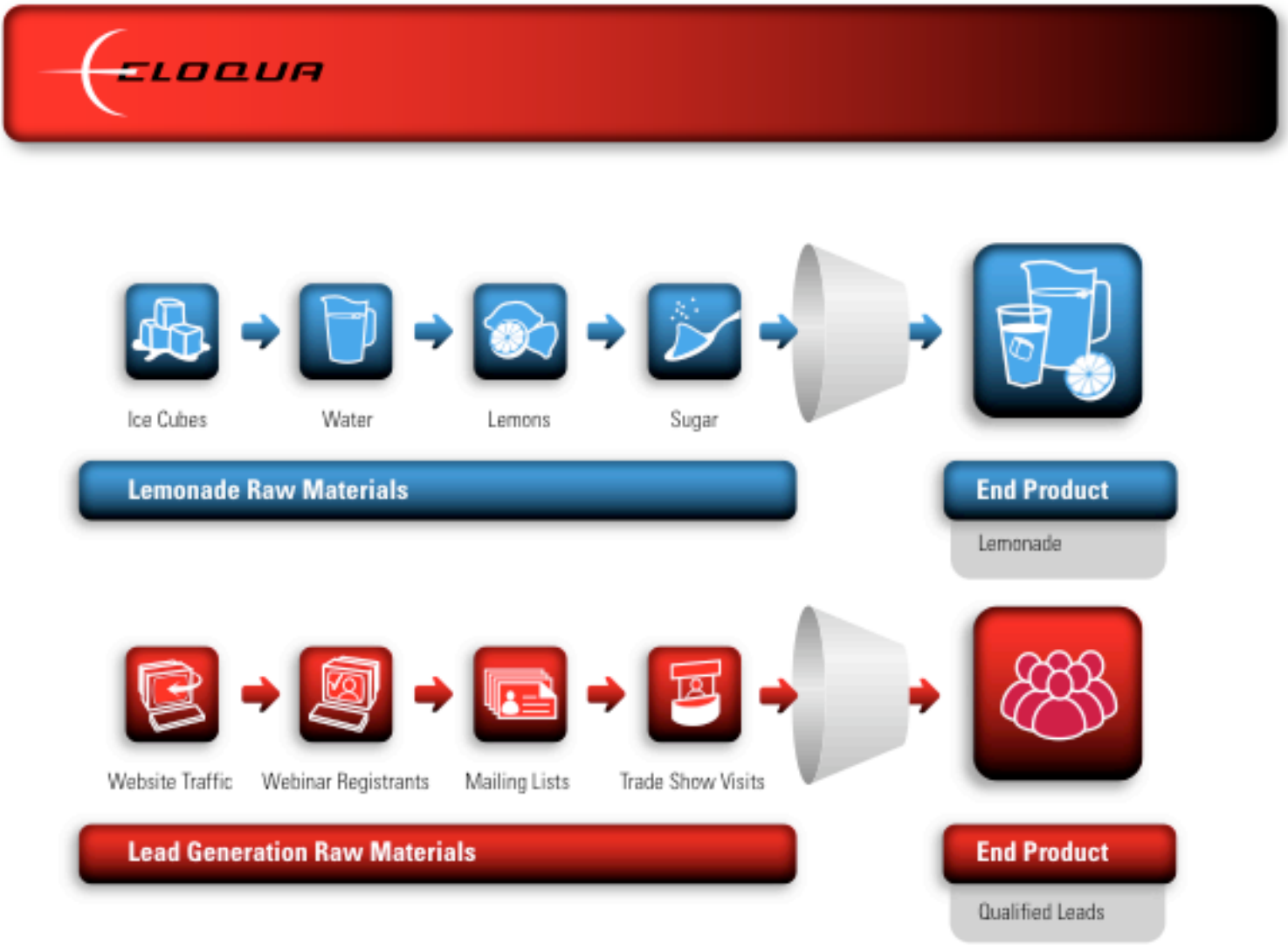
End Products – a qualified lead, a phone appointment, a sign-up to a webinar, a sales presentation, a demonstration, a request for a quotation, a trial order, etc. Any specific event or outcome that sales or marketing is trying to achieve.

The Benefits of Visibility

In sales and marketing, it can be difficult to connect the dots between the End Product you are trying to generate (a lead, an appointment, a sale) and the series of events that preceeded it (a direct mail response, a website visit). This creates an impediment to Factory Thinking because, if you cannot see what is happening, how can you optimize the process?

As discussed later in this paper, technology now exists that clears the fog and allows you to accurately see and analyze what is going on. For example, it is now possible to know — in real time — who visits your website, what marketing event prompted this interest, and which of your products and services the prospect is learning about.

You can even set up automated and live responses — again, in real time — to strike on the sales opportunity "while the iron's hot."
(For more information, see **Real Time, Right Time Selling**, available at www.eloqua.com)



As with most processes, kitchen counter lemonade manufacturing can be optimized by the intervention of expertise and technology. We can buy better equipment, source raw materials at a lower cost, streamline production (perhaps, even automate it.)

Can the same be said for *customer* manufacturing, with all its complexities and human components? Can demand generation be transformed into a factory, and achieve all the efficiency and performance of an advanced Toyota assembly plant?

Not a perfect analogy – but useful

Of course, customers are not the same as manufactured goods. It would be a mistake to blindly apply manufacturing-driven management principles to sales and marketing without first understanding the similarities and differences.

What are the exceptions to the Factory Thinking analogy?

1. Diminished control of the input.

In our lemonade example, the raw materials of lemons, sugar, water, and ice cubes can be highly controlled. There may be some variations in quality and availability but, for the most part, these would be of minor concern.

Can the same be said about the "raw materials" of customer acquisition?

Not quite. In sales and marketing, raw materials cannot be acquired to exacting specifications. There are highly-variable, human characteristics at play — names on a prospect list, clicks on a webpage, visits to a trade show booth — and that means differences in quality, quantity, level of interest, timing, buying cycle, needs, and more.

2. Variability of events

When making lemonade, the process is always the same: crush the lemons, add water and sugar, and stir. No one expects a rogue lemon to skip ahead, jump into a glass, and transform into lemonade!

This does, however, happen in sales and marketing. Raw materials — visitors to a website, for example — may unpredictably move up and down within the sales funnel. A prospect who visits a website may forgo a webinar invitation and phone to request a proposal instead, thereby skipping the normal process of lead qualification by telesales.

3. Work-in-progress cannot always be stored.

In traditional manufacturing, if too many of a particular part is produced, these can be stored in inventory — sometimes indefinitely. In sales and marketing, by contrast, a backlog of enquires and leads cannot be held onto forever.

For example, let us assume a website has experienced a huge influx of visitors downloading a new whitepaper. All these names need to be contacted for lead qualification, but the telesales staff is backlogged. The names cannot be "held in inventory" to be dealt with weeks later. Sales leads go stale, fast.

So, given these exceptions, how is Factory Thinking applied? What process design and optimization tools can be leveraged from the field of manufacturing and utilized successfully in demand generation?

Smart Automation

Diminished control of the input and variability of events are two reasons why you can never fully automate customer acquisition — especially in complex, multi-step sales processes. If you did, like some CRM systems try to do, you run the risk of forcing the prospect into a process that does not fit his buying cycle and timelines, irritating him all the way to the competition.

Any technology used to automate best practices must be flexible, allowing sales to turn off the switch and intervene in response to fluctuating buyer needs and interests.

Manufacturing management techniques we can use.

The engineering of manufacturing processes has evolved steadily since the Industrial Revolution, with giant leaps forward in the past few decades. In many industries today, production is so optimized that further improvements are, at best, incremental.

In sales and marketing, however, this highly-evolved level of efficiency is a rarity — but it does exist, especially in those companies that deploy the right technologies, expertise and thinking to make it happen.

What are some of the advanced strategies used in manufacturing that are also applicable in demand generation? There are several, but the three most influential are:

1. ***Theory of Constraints (TOC)***
2. ***Lean Thinking***
3. ***Offshore outsourcing***.

A full description of these theories is beyond the scope of this paper, but the basic ideas are relatively simple to describe.

1. In a nutshell, the ***Theory of Constraints (see Appendix)*** maintains that in order to increase output in any process — in sales and marketing, this would be leads, appointments, sales, and other desired outcomes — you must first relieve the constrained operations, or bottlenecks, that slow things down.

> Consider an hourglass. The narrow center is a bottleneck. It does not matter how much sand (raw material) is poured into the top, the rate of production (sand landing at the bottom) will be the same. The only way to increase output is to somehow widen the bottleneck.

The Evolution of a Process

Economic history is filled with examples of complex industries evolving into lean, efficient, high-performance processes.

Aluminum recycling used to be cost-prohibitive — mainly due to the expense of getting the material returned to a facility, and then reprocessing the metal into a useable form.

Today, however, with advancements in metallurgy and electrochemistry, over 65% of aluminum in North America is recycled, profitably.

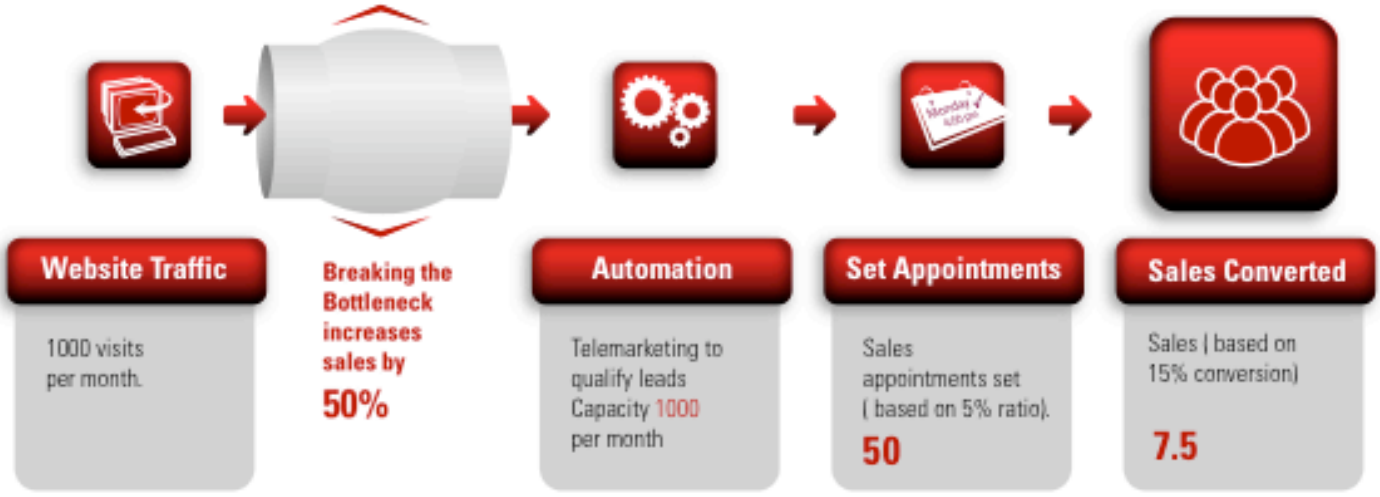
Animal farming is another example. Once a low-yield business, advances in breeding, feeding, and production have made farming several times more productive than it was just a few decades ago.

How were these two industries transformed? Through the intervention of the right technologies and expertise.

Will the same evolution happen in sales and marketing? For many leading companies, it already has.

Applying this idea to sales and marketing, let us say you have a high level of website traffic, but poor conversion into qualified leads. As illustrated below, spending money attracting more people to your website would have no affect on sales.

A better investment of marketing resources would be to increase the speed and efficiency of lead qualification. In other words, break the bottleneck .



2. Lean Thinking is about systematic reduction of waste and, especially, allocating resources to those activities that generate the highest value. For example, most would agree that a field salesperson's time is better spent calling on qualified prospects rather than a cold list of names. That is why many companies utilize telesales to pre-screen leads — to better optimize a limited resource.

When faced with the necessity to increase sales, the impulse of many companies is to put "more feet on the street". Hire more salespeople. This will no doubt increase sales, but may not be a most efficient strategy. A smarter spend may be to invest in telesales for better lead qualification and prioritization of opportunities.

Lean Thinking is smart thinking. Marketing executives ask, "Is every dollar spent generating the highest value possible?" Then they realign, reorganize, and eliminate waste where necessary, to achieve the desired results.

3. Commonplace in manufacturing, ***Offshore Outsourcing*** is remarkably applicable to demand generation.

For example, in our work with clients, Eloqua often uses professionals located in the Philippines to make initial cold calls asking contacts for permission to market to them via email. Subsequent leads are then qualified by more experienced telesales staff located domestically.

By utilizing this specialization of labor, Eloqua is able to deploy specific marketing resources to where these can generate the highest value. If domestic telesales handled the cold calling *and* follow-up, the results would be sluggish, and their skills and experience would not be put to optimal use.

How do these and other manufacturing-driven theories work within a customer manufacturing system?

The Theory of Constraints

(TOC) was pioneered by Elyahu M. Goldratt, and popularized in his business novel "The Goal". (See Appendix for more details.)

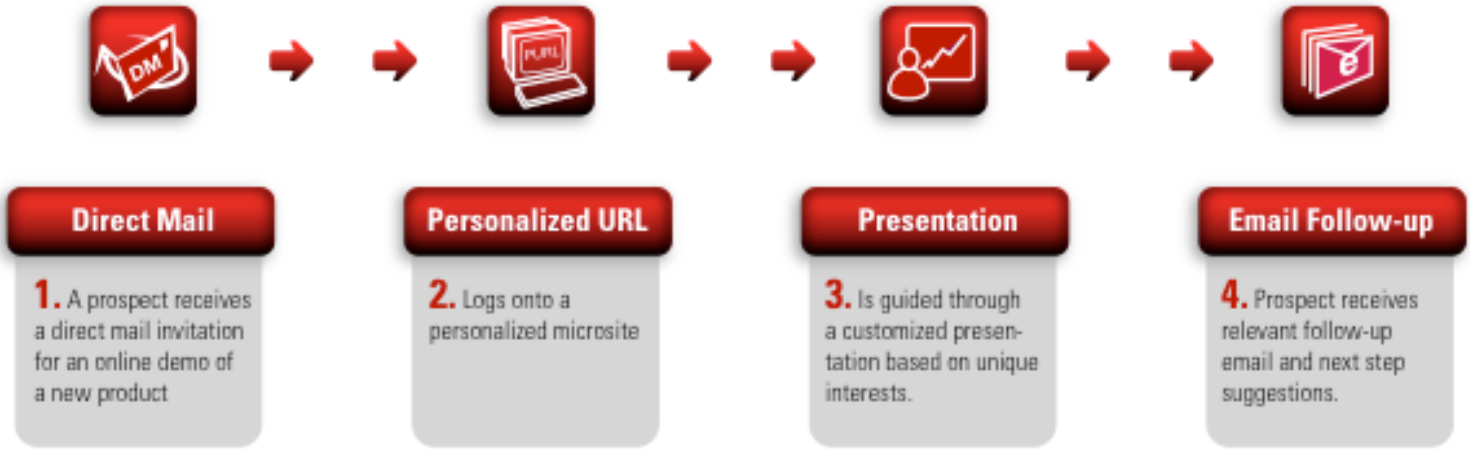
Lean Thinking originates from the bestselling management book "The Machine That Changed The World"
– by James Womark, et al

Top Factory Thinking strategies applicable to sales and marketing

1. Automation of best practices

Despite individual personalities, disparate sales approaches, creativity and other human elements that dominate sales and marketing, a surprising portion of what works best can be automated.

Consider this real-world scenario:



From an unqualified suspect to a qualified prospect without ever communicating live with a salesperson. This is automation at work. The goal is to maximize the probability that high value "conversion assets", such as field salespeople, are working on high value "work-in-process inventory", such as prospects with authority, need, budget and timeframe to purchase. For other work-in-process inventory, the focus should be on reducing the cost to keep these prospects engaged for a low cost ("reducing the cost to serve").

2. Waste reduction and reclamation

Using the right technology, a clear view can be gained of the entire customer acquisition process. This makes it possible to understand how all the individual parts are working — including campaign results, website hits, lead qualification, conversion rates, and more. Decisions can then be made to eliminate wasteful practices, and deploy resources where they have the greatest impact on results.

Just as advances in technology have enabled the aluminium and animal husbandry industries (see "The Evolution of a Process" box) to reclaim much of their waste products and convert them into assets and income, trackable digital marketing techniques as illustrated above enable effective remarketing of prospects that are not ready to engage immediately, and supposedly "dead lists." The key is to maximize the utility of the conversion asset by aligning its value with the value of the investory to be converted. Wherever possible, use digital assets to personalize content, as it is significantly cheaper than heavily personalizing a direct mail piece or telesales call.

3. Breaking the bottleneck

As discussed in the previous section, by identifying and expanding bottlenecks, sales can be increased.
For example, a salesperson may be constrained by her inability to customize a presentation during a live meeting. An awkward display of off-the-shelf print collateral is undesirable so she must set a second meeting. This lengthens the sales cycle, and may even reduce closing ratios.
How can a constraint like this be relieved? By utilizing technology to enable the salesperson to tailor a customized, high-impact presentation on the spot.

Making it work

What is needed to take advantage of Factory Thinking to optimize and accelerate the demand generation process?

The right technologies – to automate best practices, eliminate bottlenecks, reduce costs, and drive more sales, sooner.

The right expertise – a partner who has the resources, technology, knowledge, and track record to make it happen, cost-effectively.

The right communications – especially between sales and marketing, who need to work together to build a cohesive process and to measure the results at each step.

In our work with clients, the first step that the Eloqua team takes is investigating and mapping out the current demand generation process. We ask: *How are suspects currently identified? How are leads defined, generated and scored? How are opportunities identified and nurtured? Are leads communicated effectively between sales and marketing, or is there a loss in translation?* The end result is a detailed flow chart of how things are working so that the factory thinking elements discussed above – bottlenecks, waste elimination, opportunities for automating best practices, and optimal allocation of resources – can all be identified and exploited within a continuous improvement model.

These days, many companies face increased competition and a prospect base that is more wary and indifferent than ever before. To add to the stress, resources are more scarce, yet the pressure to produce results never greater. Transforming disjointed demand generation activities into an efficient, high-performance process may be the only way to gain the advantage. For these reasons and more, Factory Thinking is an idea whose time has definitely come.
As Tony Jaros of Sirius Decisions predicts, “Best-in-class organizations will separate themselves in the years to come by finding ways to approach lead generation with rigor and accountability, turning what has long been considered an art into a science.”

Example 1: JBoss

Breaking the bottleneck

Company:

JBoss Developer Zone (www.jboss.org) serves the needs of the JBoss developer community. In addition to other services, the company offers a range of free software, and generates revenues through service contracts.

Challenge:

The typical acquisition process for JBoss is to contact developers who download software and offer them a service contract. Since there was no way of knowing, in advance, the level of prospect interest, the sales team would have to make calls randomly. In addition, the sheer volume of prospects made it impossible to call them all expeditiously.

Solution:

Conducting an analysis of the situation, the Eloqua team determined that the current lead qualification process (cold calling) was a bottleneck that impeded growth. To solve the problem, a new process was implemented that automated lead-qualification using a self-scoring system. Now, instead of random calls, the sales team can focus on hot prospects – those that had the greatest chance of buying within 90 days.

Results:

The Eloqua system (***Eloqua Marketing Conversion,* with *Program Builder***) validates, qualifies and routes more than 10,000 leads per month. With the bottleneck broken, the JBoss sales team is able to convert more prospects into customers. The optimized acquisition process is so successful, in fact, that the company is exploring new ways to fill the pipeline with even more names.

Example 2: Interland

Cutting waste to cultivate customers

Company:

Interland (www.interland.com) is the largest web hosting and services company dedicated to helping small and medium businesses succeed online.

Challenge:

To sustain their leadership position within the industry, Interland needed to move from a business model that emphasized a one-time sale to a cultivation model that focused on repeat sales. This meant a continuous program of proactive communications with prospects and customers.

However, there was no effective way to capture and qualify anonymous website visitors. And it would often take days or even weeks for marketing to manually create and deploy email campaigns.

Solution:

The Eloqua team implemented an innovative rules-based proactive chat feature (*Eloqua Site Conversion*) on interland.com and its other acquisition sites so that interested website visitors could talk instantly to an Interland sales rep. In addition, *Eloqua Marketing Conversion* website-integrated email marketing technology was implemented to drive qualified website traffic for Site Conversion, and reduce email campaign deployment time from weeks or days to just hours.

Results:

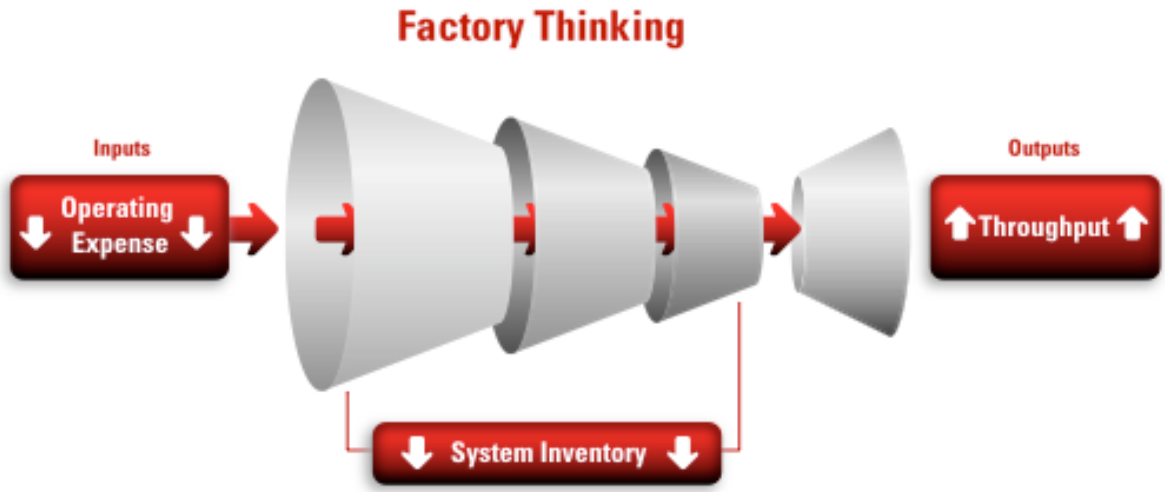
According to a detailed study, the Eloqua solution is producing more than 150 deals each week for Interland; an average ROI of 1200%.

In addition to more proactive email communications, more prospects and customers are getting the message. Eloqua technology has achieved a 98% email deliverability rate.

Appendix: Theory of Constraints and the classic sales funnel

To better understand the Theory of Constraints and its application to customer acquisition processes, consider a classic sales funnel on its side. Like a manufacturing assembly line, the raw materials — website traffic, DM response, trade show visits, enquiries — are fed through the wide end of the funnel. A series of mini-processes — lead development, lead scoring, interest capture, lead qualification — all work to create the desired outcome; a new customer.

The objective is to generate the maximum amount of **throughput** – the useful end-products of the process, such as sales or appointments – with the minimum amount of **raw materials and inventory** (raw traffic, lists, and work-in-process) and minimum **operating expense** to convert the raw materials and inventory into throughput.



About Eloqua

Founded in 1999, Eloqua provides the leading integrated demand-generation platform for marketers who must produce a continuous flow of quality leads for a professional sales force. Eloqua accelerates the enterprise sales cycle, turning customer acquisition into a measurable and repeatable process. With market-leading technology backed with expert professional services, Eloqua automates best practices in demand generation for its customers internationally. Eloqua Corporation, which received funding in 2005 from JMI Equity, is headquartered in Toronto with offices in Boston, San Francisco and Austin.

Additional information about Eloqua is available at www.eloqua.com
or by calling 866-FAST-ROI (327-8764).