

Automating Demand Generation: The Power of “Factory Thinking” in Sales and Marketing

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

Executive Summary

"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

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."

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 preceded 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."

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.

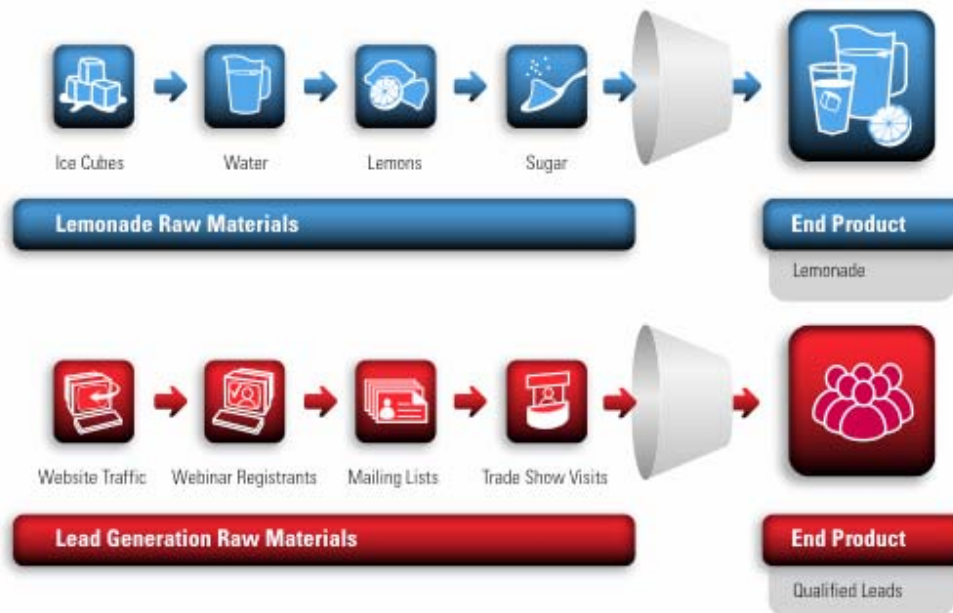
How does “Factory Thinking” work?

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.



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. Works-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?

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.

Manufacturing management techniques we can use.

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

1. Theory of Constraints.

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.

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 effect 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. Learn Thinking.

Learn 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. Offshore Outsourcing.

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.

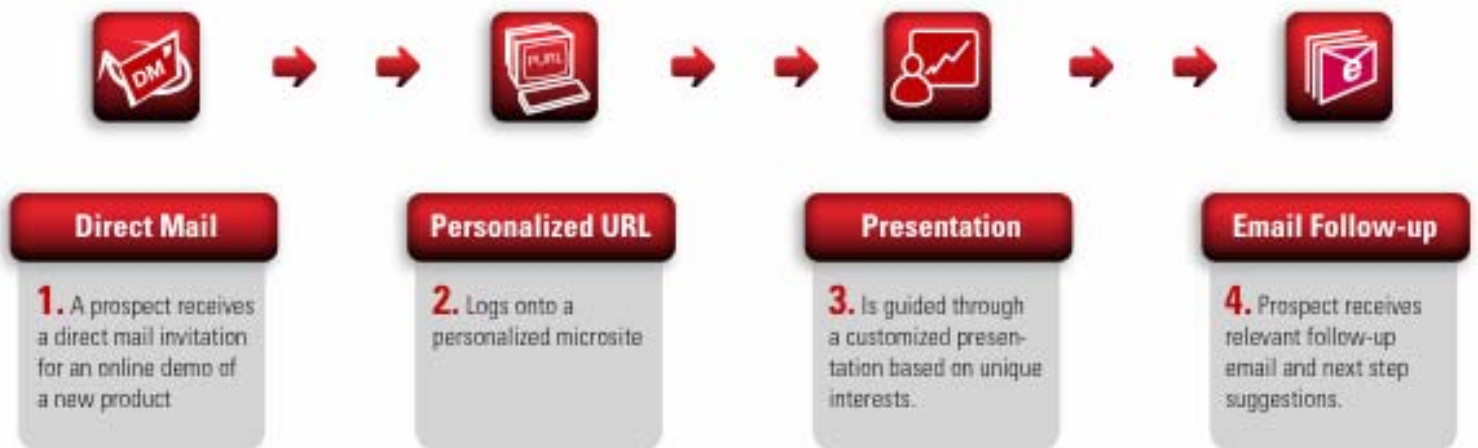
How do these and other manufacturing-driven theories work within a customer manufacturing system?

Top Factory Thinking Solutions 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 inventory 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?

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.”

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.

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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

Eloqua Marketing Conversion Suite 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: Postini

Scoring big with Automated Leads

Company

Postini, as the leader in Integrated Message Management, provides security, compliance, availability and visibility solutions for corporate email and instant messaging systems.

Challenge

Being in the business of email communications put Postini in an awkward position when it came to marketing their products and services – customers and prospects invariably requested information via email when the problem they were trying to solve was email-related. The company’s marketing team was well aware of the benefits of email as a lead generation tool, however, the nature of their business required them to be extremely careful about who, when and how they communicated their value proposition.

Solution

The marketing team at Postini evaluated several different marketing system vendors, with the requirements in mind that the system needed to be integrated with Salesforce.com, scalable with company growth, and respect to the communication preferences of potential and existing customers. These requisite factors were all matched by Eloqua’s Conversion Suite.

Results

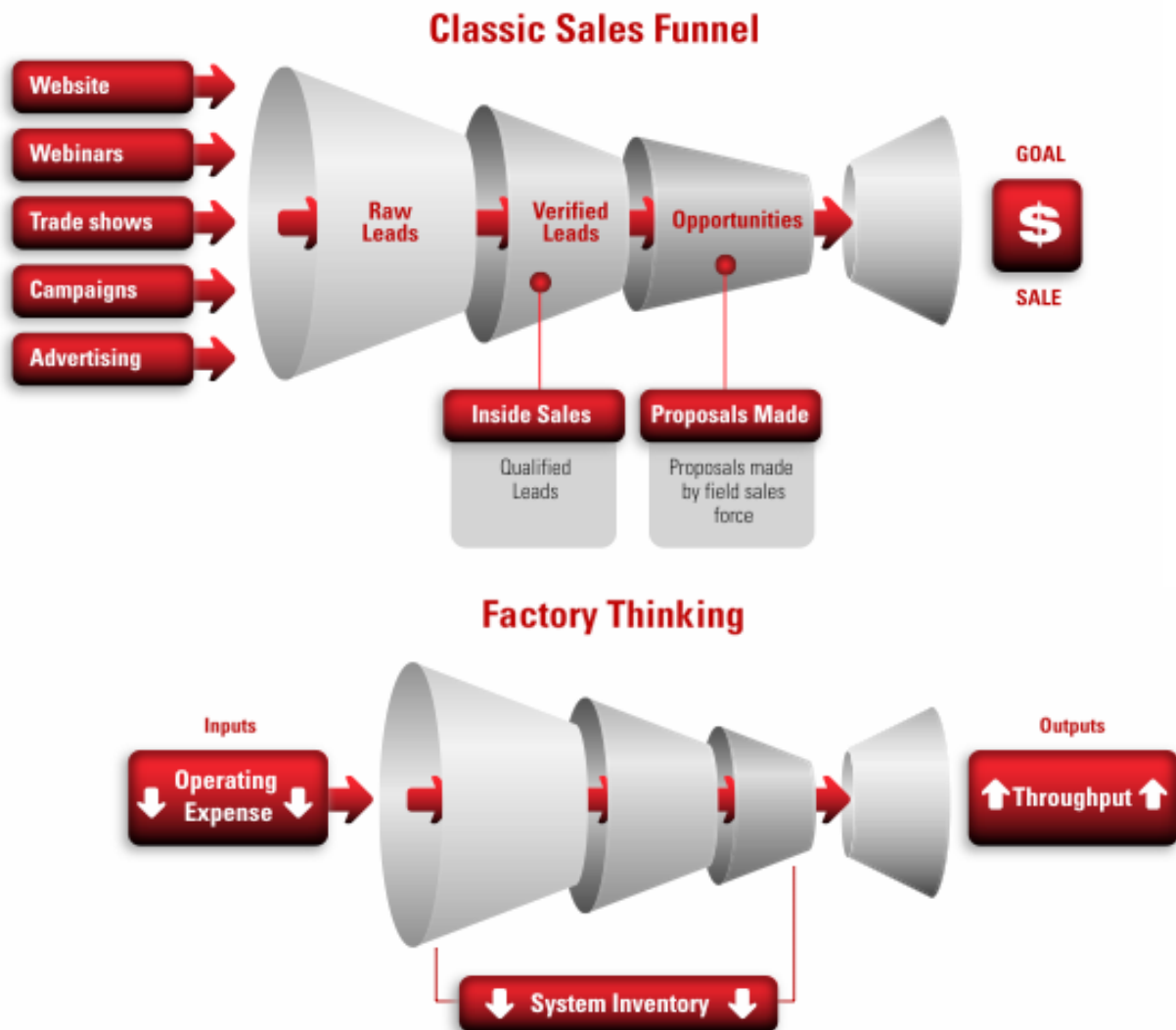
Postini’s telesales group doubled its productivity when it switched to a lead-scoring based system to qualify leads. This means that a rep using Eloqua’s lead-scoring system doubled the opportunities for revenue over cold-calling. Reps knew who to call first thanks to tracking and lead-scoring, and this resulted in a higher success rate per call, which in turn led to fewer email messages. Postini had met its goal from the outset to respect the customer’s preferences in terms of communication.

Appendix

Theory of Constraints & 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 software and expertise to B2B marketers to execute, automate and measure highly effective marketing programs. Eloqua's mission is to make our customers the most effective marketers on Earth.

Eloqua Conversion Suite is the industry's leading integrated demand generation platform for businesses that expect measurable results from their marketing efforts. An on-demand family of solutions, Eloqua Conversion Suite automates and integrates the key sales and marketing functions of e-mail, direct mail, web site analytics, campaign analytics, and sales force automation to improve the quality and quantity of sales leads, eliminate waste and accelerate the entire selling process.

With market-leading technology backed by expert professional services, Eloqua automates best practices in demand generation for B2B marketers who need to produce a continuous flow of qualified leads for their sales force. Eloqua's customers include Sybase, Seagate, Nokia, JBoss, Administaff, Nuance and many other leading B2B marketers. Eloqua Corporation is headquartered in Toronto with offices in London and throughout the United States.

To learn how Eloqua can help you reach new levels of marketing performance, please visit www.eloqua.com or call **866-327-8764**.

1. Spencer Stuart, *"CMO Tenure: Slowing Down the Revolving Door"*, white paper, July 2004.
2. Laura Ramos, Forrester Research, *"B2B Marketing Needs a Makeover – Now"*, August 2, 2006.
3. Jim Dicke/Barry Traylor, CSO Insights, *"Optimizing Lead Generation, What's the Payback?"*, June 2006.
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