



CUSTOMER MANUFACTURING GROUP

Success comes
from growing faster
than your market.

You can build and
sustain your
competitive
advantage through
Marketing/Sales
process
improvement.

TRANSFORMING MARKETING/SALES INTO A SYSTEM TO MANUFACTURE CUSTOMERS

A CUSTOMER MANUFACTURING GROUP POSITION PAPER

Whether you are in a service industry, distribution, or a manufacturing business, what if you could produce new customers as effectively as a well run factory produces products?

This paper shows you how to apply process management techniques that manufacturing has developed over the last 50 years to turn your Marketing/Sales activities into a System to Manufacture Customers regardless of the industry you are in or the market you serve.

Marketing/Sales: Art or Science?

Many business executives believe that Marketing/Sales is an art form. That great practitioners are “born” with a gut instinct for the craft. That you can train Marketing/Sales people to be better, but the truly great are born to it, and hiring them is the only way you can have great Marketing/Sales in your company.

Yet academics have been telling us that Marketing/Sales is a process. Academicians have published extensively on the subject, but no useful process model has come of it. It’s still the holy grail.

Meanwhile, other areas of business practice have made huge gains. These great strides in management over the last 50 years have been the result of systematic analysis of business processes, and the development of scientific management techniques and intervention technologies.

Perhaps the greatest strides have been made in manufacturing, starting with Frederick Taylor’s time-and-motion studies in the early part of the last century, and culminating with today’s leading-edge factories based on Total Quality Management and Just-in-Time methodologies. Finance, engineering, human resources, and others have also benefited from systematic advancements in their management methods over the last 50 years, and are now all managed as true processes.

But not Marketing/Sales. These two overlapping functions continue to be managed, for the most part, by the same “seat of the pants” methods that have always been used. While it’s true that certain sub-areas of the Marketing and Sales functions are now truly analytical (data mining for example), comprehen-

**Could the tools that
have revolutionized
manufacturing allow
you to reliably manage
the production of
customers in the same
way a well run factory
manages product
production?**

sive and systematic management of the function at a process level has still not occurred. Despite all of the process models developed by academics, none of them have been of sufficient practical use in the real world.

Manufacture Customers?

What if you viewed Marketing/Sales as a process to manufacture customers? Could the tools that have revolutionized manufacturing allow you to reliably manage the production of customers in the same way a well run factory manages product production? If you could, imagine how you could grow your business.

Actually, you already have a customer production system of some sort in the form of your existing Marketing and Sales activities. But it's unlikely that your existing system reflects a true seamless process, or that you can measure it accurately, and manage its effectiveness.

- Is your current system a collection of activities rather than a true, integrated, end-to-end Marketing/Sales process?
- Can you trace the flow from one value-added activity to another?
- Can you define and measure the result of each Marketing/Sales activity?
- Do you rigorously manage Marketing/Sales to continuously and explicitly improve it's effectiveness?

It's not simple, but performing these and related management tasks allow you to refashion your existing Marketing/Sales activities into a consistent, predictable, and reliable System to Manufacture Customers.

The Customer Manufacturing System is the first comprehensive model of the Marketing/Sales process that incorporates proven process principles to better measure and manage Marketing/Sales activities. These management methods are based on techniques that have been tested over the last 50 years in the manufacturing arena. They are not manufacturing-specific tools; rather they apply to any well-defined process. By adapting these proven management methods to a comprehensive model of Marketing/Sales, you create a System to Manufacture Customers within your company.

The Customer Manufacturing System maps your existing marketing and sales process, identifies constraints in the process, helps you better design your process, and installs tools to measure the correlation between your Marketing and Sales activities and their results. The Customer Manufacturing System also

performs the strategic marketing task of identifying Who your customers are, What they buy that they can only get from you, and How they want to buy it.¹

Marketing/Sales needs to be an integrated process, just as Engineering/Production is in well-managed companies.

Applying Manufacturing Principles to Marketing and Sales

How are Marketing/Sales like manufacturing? 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 customers.

Marketing/Sales is further like manufacturing in that the process can be managed as a set of “work cells” with raw material, work-in-progress (WIP), and finished goods. Like a series of manufacturing work cells, each Marketing/Sales work cell has scrap rates, yields, quality measures, and latencies.



“Traditional” Sales and Marketing

¹ To read a more in-depth article on this topic, you can download our white paper, *Building A Customer Oriented Business: Knowing Who/What/How* from our website at <http://www.customermfg.com/wpfiles/QuantumMarketing.pdf> or you can purchase a copy of Mitchell Goozé’s book, *The Secret To Selling More* from an online bookseller such as amazon.com or from your local bookstore.

Most companies
manage their
Marketing/Sales
function on an event or
activity basis — and
often on a crisis basis.

Viewing Marketing/Sales in an integrated, work cell-like fashion allows “manufacturing” principles — process management, constraint analysis, continuous improvement, and lean thinking — to be applied to the management of the system. Indeed, some of these principles apply directly to Marketing/Sales, without modification.

Marketing/Sales needs to be an integrated process, just as Engineering/Production is in well-managed companies. It is the function of *Marketing* to identify the customers who are best served by the capabilities of the organization and to align the organization to service those customers. It is the job of *Sales* to help suspects through their buying process until sufficient numbers emerge as loyal customers.

So, Marketing is to Sales as Engineering is to Production. Just as in the product manufacturing process, where design errors create headaches for production, deficiencies in Marketing will inevitably manifest themselves as problems for Sales. Indeed, it is not uncommon to attack a sales problem, only to discover that the problem was actually created in Marketing some time earlier.

A Practical Process Model of Marketing/Sales

A ‘model’ identifies all activities necessary to accomplish a task and puts them into a specific order so they can be managed effectively. Marketing/Sales is 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/Sales function on an event or activity basis — and often on a crisis basis.

To be managed effectively, Marketing/Sales must be managed as a process. This approach does not deny that insight and experience in marketing and sales professionals are indispensable. Rather, it ensures that you end up with a repeatable and manageable process to reliably leverage those assets and produce a stream of loyal customers . . . the cornerstone of business success.



Elements of the Customer Manufacturing Process

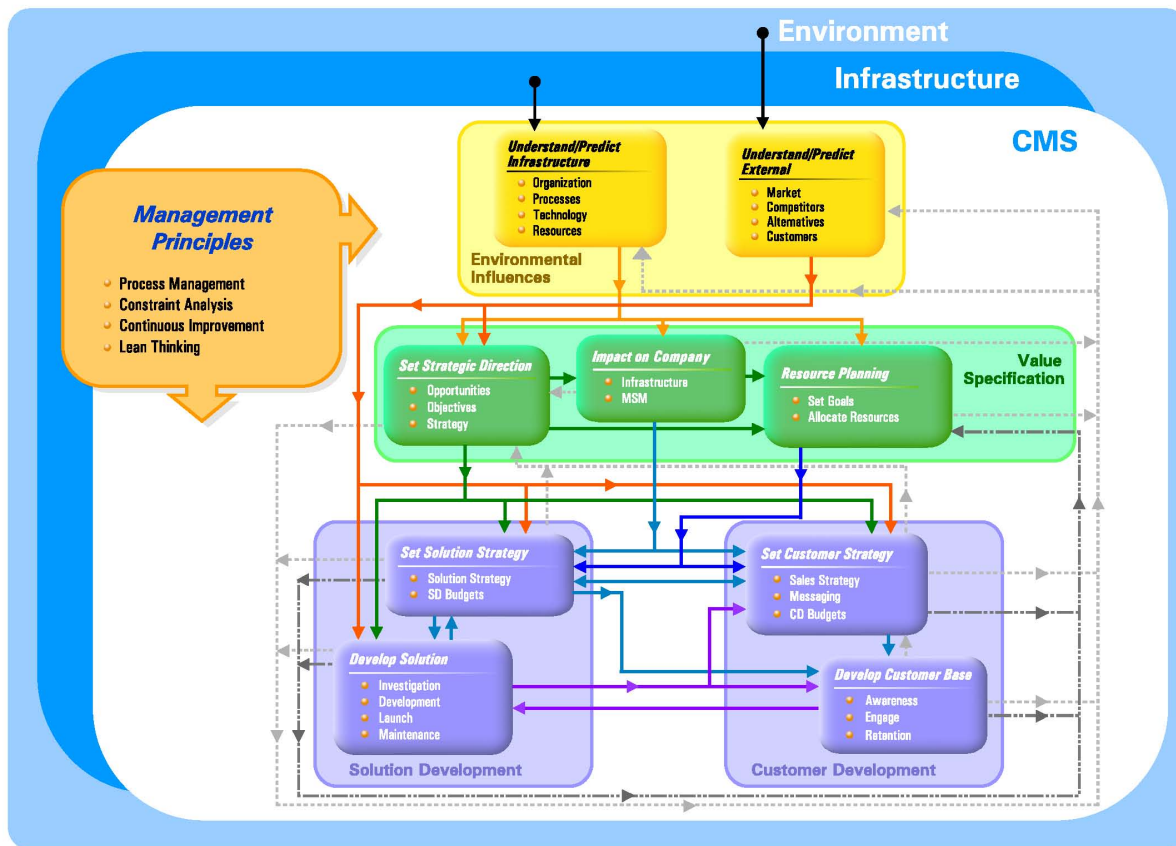
Customer Manufacturing Group views Marketing/Sales as an integrated set of four main elements, managed by four primary management principles.

The value of CMG’s Customer Manufacturing System is three-fold:

- It delineates and orders all of the activities of Marketing/Sales in a structured hierarchical manner. As such, it allows you to build a Marketing/Sales process that is comprehensive — with nothing falling through the cracks (indeed, with-out any cracks.)
- It defines the information flows between the elements and sub-elements of the system, thus ensuring that Marketing/Sales is an integrated function, and that its information is complete and accurate.
- It allows the Marketing/Sales process to be managed with proven, real-world process management tools.

The Four Elements

While each of these elements can stand alone as a part of the Marketing/Sales process, the dynamic action of working synchronously results in the well-oiled production line of a successful System to Manufacture Customers.



CMS Architecture v4.1.1
© 2006 Customer Manufacturing Group

Customer Manufacturing System

(Level 2 of 4 levels)

1. Environmental Influences are those factors that occur in the external world that you can monitor, analyze and predict—but not control. The factors monitored and analyzed include the usual market segmentation, market size and growth rates, customer demographics, and competitor information. Environmental Influences goes further to address political, regulatory, and social influences, and those aspects of your own company which are beyond your control. If you were a plant manager, a sudden transportation strike or drop in supply would clearly affect your production. In Customer Manufacturing, a change in competitor’s strategy or in customer profile would likewise affect your decisions.

Many companies fail because they *assume* rather than *discover* — from their customer's point of view — the answers to these questions.

The market intelligence you gather through customer and competitive research acts like a terrain map for your competitive campaign. Most companies gather some of this data now, but few do so in a comprehensive and rigorous manner. This data can provide you with an invaluable advantage if you have the systematic capability to collect and act on it.

2. Value Specification is the linkage between your company's strategy and the market(s) you choose to serve. It encompasses marketing strategies and is keyed off of the all important understanding of your *Who* and *What*. That is, understanding and agreeing upon *Who* buys and *What* they buy from you that they can't buy from others. It's just that simple . . . and just that tough. But many companies fail because they *assume* rather than *discover* — from their customer's point of view — the answers to these questions.

In a world full of smart competitors it's your job to find customers that you are uniquely qualified to serve — they are your *Who*. You must then determine exactly what these customers want, need, and expect that they can buy from you and no one else — this is your *What*.

Value Specification — linking your company's strategy to the markets and objectively determining your *Who* and *What* — provides some of the greatest leverage available to your company and its bottom line. It is here, on the Marketing/Sales front-end, that management time can generate its greatest return. It is also here where most fail to be objective and truthful with themselves.

By spending time in the beginning — aiming before you fire — you greatly increase your chances of hitting the mark. If you know exactly *Who* buys your product you can reach them effectively. If you determine exactly *What* they buy from you, you can provide it to them. It sounds *so* simple.

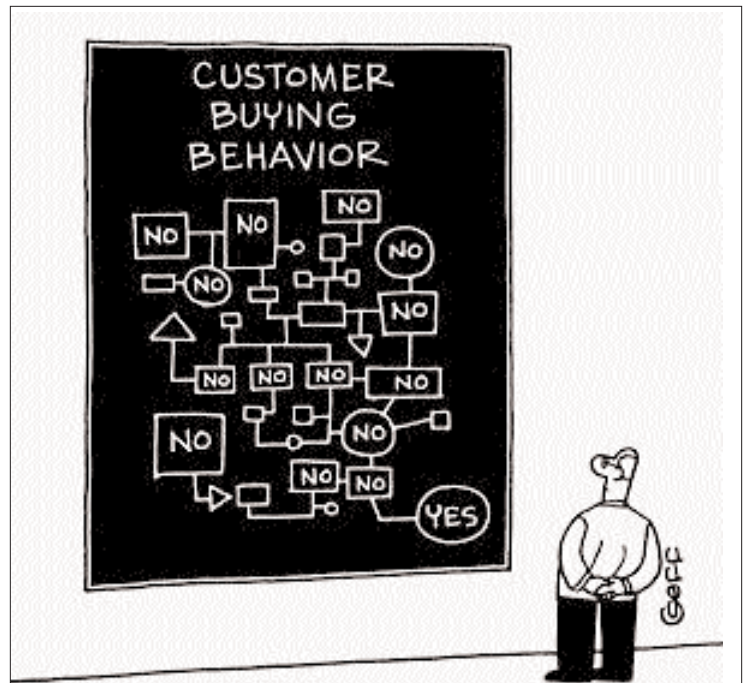
3. Solution Development is the set of marketing activities focused on actually creating the complete solution you bring to your target market. Here your marketing department works closely with your development function throughout the development cycle. The activities composing Solution Development are based on the market and customer intelligence gathered in Environmental Influences and the decisions made in Value Specification.

Knowing the opportunities and constraints that Environmental Influences impose, and understanding your *Who* and *What*, allow you to define product features, develop necessary customer support programs, identify the most opportune time for product launch, and determine pricing and terms and conditions.

The customer always has a specific or preferred process for buying a product or service like yours . . . and they are likely to do business with the company that come closest to selling to them in that way.

Just as design engineers and manufacturing engineers now work together in teams to successfully produce products, marketing and the product development teams must work in seamless synchronization during Solution Development to achieve the solution your customers want to buy. Customer Manufacturing Group's Solution Development element is explicitly designed to work with a structured product development process, such as many effectively managed companies have instituted.

4. Customer Development is the customer-facing side of Marketing/Sales. It consists of creating demand for your product and fulfilling that demand. Here you set strategy for sales, promotion, channels, and every other aspect of the company that touches the prospect or customer. You define all of the various audiences that you must reach, and develop the right message for each of them. You design your selling process to accurately mirror your customer's buying process². And you implement these plans.



A critical aspect of Customer Development is the notion of aligning your selling process with your customer's buying process. In most companies, the sales process — the series of steps that the company goes through and the value provided to the prospect at each step — is designed to minimize the company's cost and cause as few headaches as possible. In other words, it is company-focused.

The fault in this is that the customer always has a specific or preferred process for buying a product or service like yours . . . and they are likely to do business with the company that come closest to selling to them in that way.

Customers have a definite set of activities that they go through to buy, in a unique sequence, and with a defined amount of time between the steps. At each step they expect a

² For more on this, see our white paper, *Are You Creating Customers?*, available for free download at www.customermfg.com/wpfiles/AreYouCreating.pdf

“Value Delivery” is the principle of contributing precisely the value the customer requires at each stage of their buying process.

specific “value” from your company. Trying to impose your timeline on them, or your preferred steps, or providing them with too much or too little value at each step only causes more prospects to drop out of the buying process before they become your customers.

Here we touch on another critical concept in Customer Development. “Value Delivery” is the principle of contributing precisely the value the customer requires at each stage of their buying process. The key to success is that every tool utilized — be it a brochure, the company web site, the booth design for a trade show, technical information, or the product itself — is created in response to a customer’s need at a specific point in their buying process . . . not created in response to the needs of the sales force.

Customer Development is the Customer Manufacturing element that insures that you aren’t like most companies from the customer’s point of view. It insures that you have anticipated your customer’s desires and that you “act like they think.”

Management Principles

The previously discussed Four Elements of the Customer Manufacturing System are managed based on the four proven management principles described below.

1. Process Management means that the system (all of the Marketing/Sales activities involved in the process) is viewed as a holistic, interlinked flow rather than a set of sequential activities. Two of the key elements of a process-orientation include:

- *Process Ownership:* The ‘process owner’ is responsible for the process performance, maintenance, improvements, and other aspects of its health; roles, responsibilities, and accountabilities are well defined.
- *Performance Measures:* Performance of the overall process is measured, planned, and linked to process changes; compensation is often linked to it as well.

Process Management is used in all aspects of the Customer Manufacturing System; it marries the individual work cell activities to each other to create a cohesive, integrated Marketing/Sales system.

2. Constraint Analysis insures that your resources are assigned to tasks where they can make the greatest contribution to improving the Marketing/Sales system’s performance. All too often resources are applied to non-critical constraints, because of inertia, politics, or a plain lack of knowledge about where the largest constraint actually lies.

Constraint analysis is a natural outgrowth of process thinking. Since the goal in most Marketing/Sales processes is to maximize revenue, insufficient revenue is usually the “problem” that surfaces as needing fixing. Typically the sales force is then told to

**Customer
Manufacturing Group
views Marketing/Sales
as an integrated set of
four elements, managed
by four primary
manufacturing
principals, all
supported by a
company's
organization, process
and technology.**

sell harder, or more salespeople are added. Or often the immediate upstream activity in the process — lead generation — is assumed to be the problem and your MarCom staff is flogged to generate more leads.

Constraint analysis demands that you look at the entire process of Marketing/Sales to determine where the real limitation in your ability to produce sales lies. Perhaps it is in the messages that you are delivering. Perhaps the messages are being delivered to the wrong people. Without identifying the real reason sales are low — the main constraint in the process — you will only be spending resources on symptoms, with little result.

3. Lean Thinking refers to techniques used to eliminate waste and non-value-added steps throughout your Marketing/Sales process. Lean Thinking is the action corollary to the truism: “Don’t confuse activity with progress.” Each step of your Marketing/Sales process must be assessed to determine the activities that contribute to the effectiveness of your System to Manufacture Customers, and to identify non-value-added steps that are irrelevant or actually slow the system.

Further, you must have a seamless and integrated Marketing/Sales process that allows upstream activities to contribute effectively to downstream results. For example, are your Value Specification and Solution Development processes aligned and linked? Or have they evolved independently . . . and separately from your customers’ needs, wants, and expectations?

4. Continuous Improvement is the ongoing, pervasive process by which quality at each step in the process is specified, and out-of-spec and sub-optimal performance is removed from the system. Using a potent combination of Constraint Analysis and Lean Thinking, your sub-optimal performance is redefined for ongoing Continuous Improvement.

The techniques most commonly employed in Continuous Improvement are pattern analysis, quality control, and training. The value of the Customer Manufacturing System process model becomes apparent here. Since Marketing/Sales activities are described as a series of interlinked steps, each step — each work cell — can be isolated and measured in terms of throughput, quality, conformance to specification, timing, and so on.

You can protect your investment in your company’s System to Manufacture Customers with training that goes beyond academic education or general skill building to develop and reinforce new process-oriented skills. Training that addresses the *Who*, *What*, and *How* of your customer helps Marketing/Sales present products and services in the language of your customers’ wants, needs, and expectations . . . rather than in terms of *your* needs, wants and expectations.

**Talented people will
always be valuable . . .
and they will always be
insufficient to sustain a
competitive advantage.**

Barriers to Successful Customer Manufacturing

For too long now, Marketing/Sales has been viewed as something that cannot be managed as a process — but rather as a function in which success depended solely on gifted individuals. This view was an accurate perception so long as no useful process model existed for Marketing/Sales, and no proven methods by which to manage it. That era is over. Talented people will always be valuable . . . and they will always be insufficient to sustain a competitive advantage.

In the last 50 years we have witnessed the great strides that manufacturing, product development, and service have made as a result of becoming process-driven and process-managed. This same phenomenon — when applied to Marketing/Sales — will define the winners and losers in the early decades of the 21st century.

More Information About Customer Manufacturing Group

If you would like more information about how to apply a process to improve your marketing/sales function, simply contact us and we'd be happy to help you get started. From sweeping marketing/sales management process strategies to specific branding or product launch services, Customer Manufacturing Group can help.

If you'd like to learn more about Customer Manufacturing Group, or for a complimentary subscription to *Customer Manufacturing Updates*, give us a call at (800) 947-0140, fax us at (408) 727-3949, visit our website at www.customermanufacturing.com, or e-mail us at info@customermanufacturing.com.

We have offices in major cities in the United States, and our experts travel extensively throughout the world. If you'd like to schedule a meeting when we're in your area, just let us know.

Customer Manufacturing and System to Manufacture Customers are Registered Trademarks of Customer Manufacturing Group, Inc.
