Enhancing Marketing Performance: Discussion

Anchor
Avinash G Mulky

Avinash G Mulky is Professor, Marketing, Indian Institute of Management Bangalore. avinashgm@iimb.ernet.in

Prof Avinash G Mulky anchored the Round Table Discussion and is the Guest Editor of the Round Table on Enhancing Marketing Performance.

For the Teaching Plan, subscribers may contact review@iimb.ernet.in

Panelists

Mr Achal Raghavan, Head—International Operations, Sundram Fasteners Limited. achalraghavan@yahoo.co.in

Mr Bejoy George, Chief Marketing Officer, QuEST Global. bejoy.george@quest-global.com

Dr Wolfgang Messner, Director, Capgemini Consulting India Private Limited. wolfgang.messner@capgemini.com

Dr Y L R Moorthi, Professor, Marketing Area, IIM Bangalore. ylrm@iimb.ernet.in

Faculty members from IIM Bangalore participated in the discussion.

Achal Raghavan

Marketing Challenges faced by the Emerging Indian MNC

My presentation is based on the engineering/automotive industry and more specifically the automotive component industry. The term 'MNC', in this country, was till recently interpreted to mean foreign companies coming in; however, Indian companies are also increasingly going global and are perhaps being seen in a similar light in their host countries—and hence the term 'Indian MNC'. Mergers and acquisitions are increasingly being resorted to as a way of implementing growth strategies in a short period of time. Additionally, Indian companies are setting up green-field projects in overseas locations, as a means of transplanting their operational excellence into overseas markets. The thrust of my presentation today is the implication of the emerging Indian MNC for the marketing professional.

Sundram Fasteners Limited (SFL) is part of the $3 billion TVS Group, with sales of around $400 million and manufacturing operations in India, the UK, Germany, China and Malaysia. The company's core competency is in metal forming, and the major markets are global automotive original equipment manufacturers (OEMs) and the aftermarket (the service market that follows), wind energy, construction and general engineering.

We have a number of international facilities/companies which are a hundred percent wholly owned. Many of the locations are now becoming multi product locations, and this has important implications for our marketing. My presentation is primarily from my own context—the context of a company predominantly engaged in business to business (B2B) marketing. It would be particularly relevant for automotive and engineering industries from India now 'going global' but would be generally applicable for a 'brick-and-mortar' business environment as well.

Marketing Issues and Challenges

Managing customer relationships globally, yet locally: Most B2B companies have developed relationships with customers over a long period of time, moving from a transaction mode to a relationship mode. For companies in India, this used to be typically concentrated in one geography. Now, in the globalised situation, if you have a relationship with a company in Germany and that company is moving on to different parts of the world, they expect that you will follow. There is a clear expectation that the supplier–customer relationship needs to be maintained and nurtured across boundaries. Moreover, the global customer expects you to be able to provide the same level and speed of service and engineering skills in two or even three different countries. Customer relationships have to be managed globally and yet also locally.

Leveraging global manufacturing footprint: Just as the customer is proliferating his footprint in different countries, suppliers too are proliferating, opening up their own manufacturing entities. The supplier has to leverage this global manufacturing footprint to maximise business growth. The questions that arise here are: How do you know which plant would require support, what the cost metrics and logistics requirements are and what engineering support would be required? Further, for various reasons, all your plants may not necessarily be at the same competitive edge, yet the customer expects a global level of service, competitiveness and quality. How you manage this multiple location supply situation?

Unified metrics: The third set of issues concerns measurement. If the complexity of your own business interests dictates your growth, you have certain long term goals and strategies. The marketing function is supposed to be at the front end of the company, evolving new market strategies and finding out and fulfilling new customer needs. Rather than measuring this locally and then building it into a global model, it is more useful to look at and assess the total global potential. Thus measurement of marketing effectiveness in this constantly changing map of customers and vendors is a huge challenge that marketing professionals face. The question is whether it is possible to develop unified metrics or whether to do it country by country.

Meeting the Challenges

Several things are key to managing customer relationships globally. One must understand the internal dynamics of the customer's organisation, the interplay between the customer's headquarters and the subsidiaries/JVs in other countries, the power equations. While policies, products and standards may be common, the different subsidiaries of a company may not have the same relationship with the headquarters. A marketing professional has to understand this.

At the same time, it is imperative that the supplier have uniform commercial policies with regard to pricing, volumes, payment terms, warranties, etc. The customer will expect that even if you are dealing with him in ten different countries or units, your policies in the relationship will be the same. This is the challenge because costs and local conditions are different; and you have to make sure that the customer perceives you as dealing fairly across all geographies. Further, most customers want a simplified methodology in dealing with suppliers across time zones, languages and cultures. Therefore it is important to present a 'single face' to the customer across divisions and products.

How does one 'follow the customer' to new locations? When it comes to engineering industries, for instance, the customer may want face-to-face interaction before buying. There are many customers who are not comfortable dealing with suppliers over long distances, despite the best IT support one can give them. That means you need to have a model in which there is an onshore facility next to the customer's engineering capability, and a back office somewhere else. As customer locations and one's own manufacturing locations proliferate across the globe, a key challenge for the marketing function is ~~k~~knowing which product to be sourced from which manufacturing source for delivery to which customer location.This decision needs to factor in multiple variables such as cost metrics, logistics, cost and speed, engineering and after-sales support and the customer's comfort level /concerns particularly with respect to distance.

On the whole, when the customer wants a 'solution' for a need, it falls to the marketing function to conceptualise the solution, align the company behind them to deliver that solution and convince the customer that this is indeed a 'value' to the solution for the 'price' that he has to pay. The challenge lies in making the transition from 'price' to 'value' that the customer can measure.

In this regard, Charan and Tichy's 'new customer/ new need' metric as put forth in their book *Every Business Is a Growth Business* expresses an interesting idea that there is no such thing as a mature business. It is all a question of your understanding the customer's emerging need; before he even knows his need, you come up with a product or a solution. This pleases him, and he gives you more business. However, with emerging needs, measurement of growth and market share is difficult.

Marketing: The Way Forward

The marketing person is inevitably getting pushed into becoming a general manager, in terms of acquiring additional (non-marketing) competencies, getting used to working in loose 'cluster' organisations, dealing with significantly greater ambiguity and risk, and getting ready for an era where marketing effectiveness will be measured ruthlessly. (Exhibit 1 outlines the challenges for the marketing function in the globalised scenario.)

The measurement issue will continue to exist because people are under cost pressure, thanks to competition. There is an ongoing debate on whether marketing actually adds value or whether it is just a cost centre. The marketing challenge is to prove that it is adding value that can be measured, and a measurement method has to be evolved for a global market.

The views expressed here are my own and do not necessarily reflect the views of my organisation.

Exhibit 1 Marketing: The Way Forward

- **Acquire additional competencies**
  - Financial management
  - Logistics management
  - Risk management—political, financial, forex, business
  - People, cultural and language skills
  - International legal nuances
- **Get comfortable with non-hierarchical customer focused marketing groups**
  - Global account manager and regional interfaces
- **Be prepared to deal with significantly greater ambiguity and risk**
  - Constantly changing market environment
  - Mergers and takeovers impacting customer relationships
  - Escalating costs and financial risks
- **Get ready to be measured ruthlessly for effectiveness!**

Bejoy George

Aligning Marketing and Sales

The organisation I work in, QuEST Global, is a privately held engineering services outsourcing and manufacturing company. We work with companies in the aerospace, power generation, oil and gas, industrial, transportation and civil structures sectors. We help companies in these sectors to develop their products globally, using global resources . This presentation will be based on a B2B marketing, from the perspective of a company based in India providing services to companies outside India. The presentation combines my own experiences and learnings, with some information gleaned from a couple of sites on the Internet.

In aligning marketing and sales it is important to differentiate between the two (Exhibit 2) and understand their different view points and responsibilities. While the senior management has to create the corporate vision and strategy, product development should focus on features/ benefits/functions of the product/services to be offered. Marketing has to understand the trends in the marketplace, and create brand awareness as well as position the company appropriately. It has to create the need for the product/service, and initiate sales opportunities or generate leads. Sales has to convert marketing leads into orders. It should respond to individual buyer needs/desires/ pain and win the opportunity.

The question is, how do you align both functions? Alignment starts with the Chief Sales Officer and the Chief Marketing Officer communicating openly with each other, and committing to work together to making an aligned organisation. There should be an end-to-end common process for sales and marketing (a truly single integrated process, and not two different processes joined to make one) to work towards alignment. An integrated measurement process must also be implemented.

Alignment is also helped by rotating staff between sales and marketing at the senior level so that they will understand each function better. The aligning process cannot be expected to give results immediately. Plans and progress must be reviewed periodically, and changed if they have not yielded the desired results.

How can marketing help to achieve this alignment? The answer is, by being involved in more functions that sales will appreciate. Marketing must be used, rather than sales, to identify new prospects and customers, and to generate new opportunities. More of the marketing budget should be spent on demand generation (need creation and lead generation), rather than on environmental marketing activities like branding and positioning. Marketing should use public relations (PR) and whitepapers more than cold calling, mass mail, trade shows and direct mail (unless they are provocative articles to generate interest), to generate leads.

Marketing should qualify a created lead as much as possible by talking to the potential customer and understanding whether there is a fit between the need and what the company can deliver, whether a budget has been allocated for the purchase, what the process of decision making to select a vendor is, what stage the decision making process is in, etc—this information will benefit sales directly. Marketing can be used to nurture leads that

Exhibit 2 Difference between Marketing and Sales

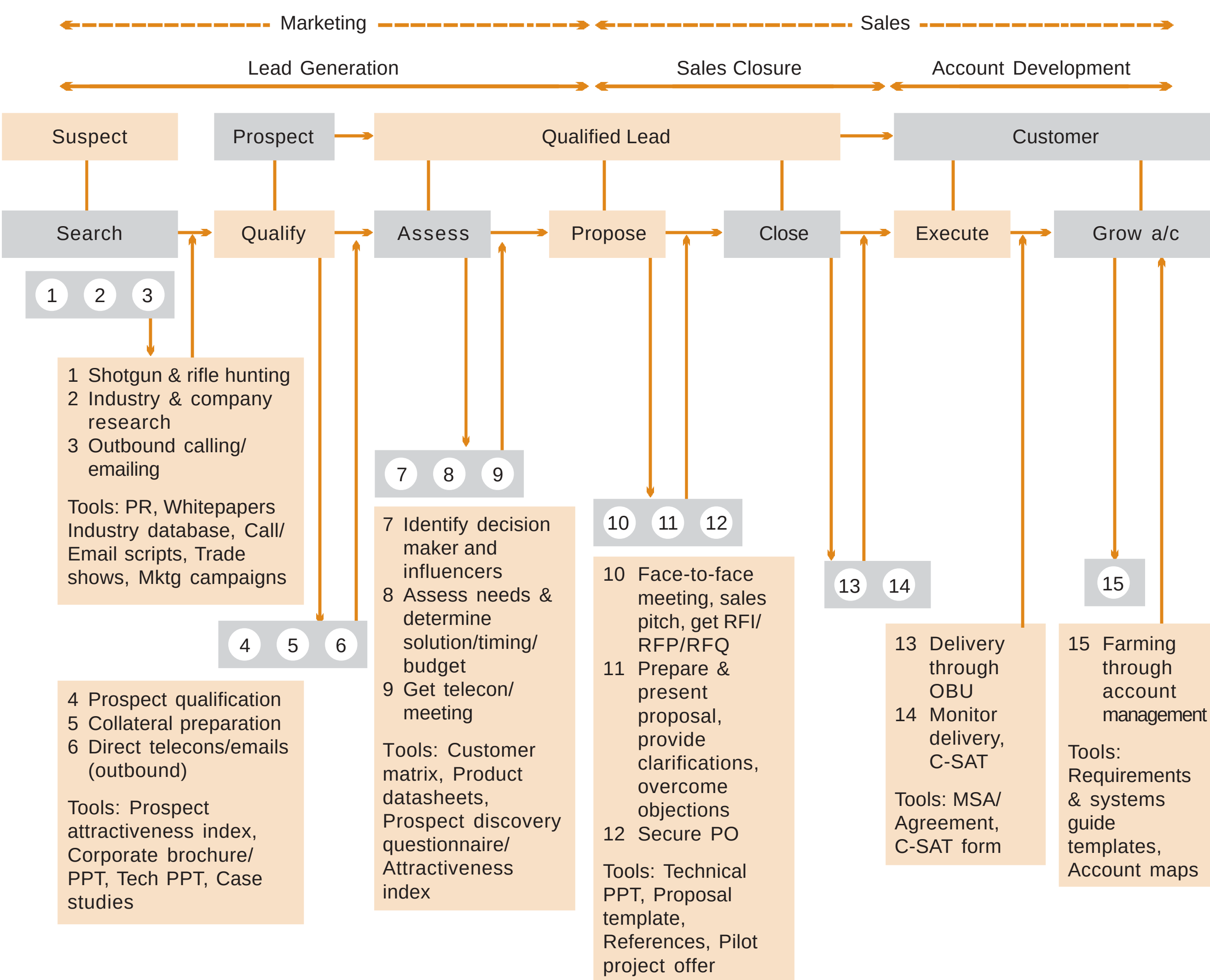
Marketing	Sales
• Has a global view on what will attract/appeal to a market	• Has a close-up view targeting a specific buyer
• Establishes the brand awareness, and positions the company based on a common message	• Modifies the message based on what they think a specific buyer will respond to
• Is a very measureable process (events, trade shows, outbound calls etc), but results are hard to measure	• Has measureable outcomes (no of orders, revenues etc), but hard to measure sales activity
• View points:	• View points:
– We need to think strategically about the business	– Meeting the quarterly target is the most important issue
– Sales ignores all the leads that we generate	– Why do I have to generate all my own leads?
– How come sales can't meet its numbers?	– Marketing is a lightweight and easy task

have stalled, and then hand these leads back to sales. Such actions will consequently lead to better alignment between sales and marketing.

In integrating processes for marketing and sales, at QuEST, we target market suspects, investigate them further before we qualify them as prospects; the prospects may be turned into qualified leads and then customers—happy customers bringing in revenue (see Exhibit 3). It is completely integrated; there is no exact line between marketing and sales. The process requires generation of leads, closing of sales, and then further development of customer accounts.

In measuring and rewarding sales and marketing activities, it is good to have a common measurement and reward process. It does not mean that sales and marketing people get exactly the same rewards. The commonality is in measuring the same events. It is a good practice to get marketing and sales to agree on what will be measured and how, and what will be the incentives for the successful achievement of key result areas (KRAs). A common funnel can be created to measure the conversion of leads to meetings to proposals to sales. The progress of the lead can be measured—how many of the leads get converted into meetings, how many meetings become proposals, how many proposals are won, as well as the quality of the lead—how many leads converted into meetings with sales people; how much revenue from such leads; percentage of new business generated every year; increase in revenue from these new customers in Year 2, Year 3 and so on. While sales can be measured on how many appointments/meetings generate requests for proposals

Exhibit 3 Example of Integrated Marketing and Sales Process



(RFPs), marketing can be measured on how many of the proposals (to the RFPs) are won. While sales and marketing will not get the same rewards, the rewards can be based on common parameters, and from the same bucket/pool of incentives. Both are dependent upon each other to increase the size of the bucket/pool so that what they get out of it individually is maximised.

Why should you align sales and marketing? Companies where sales and marketing are very well aligned have a faster year on year growth than the competition. There is a much higher winning rate in terms of proposals submitted and you lose fewer customers because you send the same message to the customer, and the customer does not get confused. Up to 25% of revenue in a year can be from customers won from leads generated by marketing.

Y L R Moorthi

Towards a Metrics of Marketing Performance

The marketing function today is recognised to be very crucial but not much action seems to follow that recognition; this is my view from the outside, from a consultant's perspective. Part of the problem is the issue of understanding the scope of the job.

There are two parts to the marketing job. The first part is *generating exciting new ideas* on ways of connecting with customers. Take the cell phone, for instance, in the Indian market. It is a common question in classrooms—how do you market a cell phone in India and what is the timeline for market optimisation? The problem was solved by the company that gave cell phones to postmen in Haryana so that they could use them without buying them—use them like mobile PCOs (public call offices). Rather than define the problem as giving a cell phone to everyone in India, it has been defined in another way as giving cell phone *service* to everyone in this country; it is that simple. We can use something without owning it.

> There are two parts to the marketing job. The first part is generating exciting new ideas on ways of connecting with customers. The second part is getting what might be called a one line revenue model. We need metrics to measure both parts of the marketing function.

Once an effective solution has been struck upon, and the sales person has been given an effective benefit to sell, then s/he does the magic of bringing the numbers. These bright ideas are the first part of the job.

The second part of the job is getting what might be called a *one line revenue model*. According to Narayana Murthy of Infosys, if you cannot express your revenue model in one line, it probably doesn't exist; this is a very clever notion, it means you can express your revenue model simply and in a catchy, convincing way. For instance, a one line revenue model of all the Indian IT services companies would be—you earn in dollars and spend in rupees. So these are the two parts, great ideas and a simple one line model which you understand and can repeat to your boss and he, in turn, to his boss, so that the idea obtains purchase within the organisation.

How can we measure the performance of the marketing function, considering that these are the two parts of the job? What we need are *metrics to measure both parts of the marketing function*. A metric to measure the ability to produce radical new ideas is difficult as this aspect is attitudinal and therefore not measurable. An attempt to construct a quantitative scale can be made but as of now measuring the two processes or parts is difficult. There is also an issue of metrics here. Marketing performance is often equated to sales performance which can be very misleading.

Marketing performance has two components besides sales numbers. One important task is *smelling redefinitions or discontinuities*, which are the sudden changes in the market that are not very easy to see despite the signals. Between 1994 and 1995 Bajaj's scooter sales fell by 40% — in that one year! In fact, 100 cc vehicles were actually introduced in 1984 and were steadily eating into Bajaj's sales like a virus. A typical sales manager in Bajaj would have been given a bonus in 1994 and pink slip in 1995 because it would appear that he was responsible for the downturn in sales. But the market had been changing all along. The marketing people had not measured what has been going on in the market. This ability to smell redefinitions is an extremely important function of marketing and the sales people simply do not have time for this; it is the kind of preparation you will have to give them before their work can start. Sales metrics cannot capture these redefinitions.

Given these redefinitions, *how do you take products to the market better and quicker*? There are some interesting examples here from the electronics goods industry. In India, LG and Samsung succeeded where others like Sony and Panasonic failed. Apart from their good product, price and promotion, their place interventions were remarkable. It was the promotional material that worked—instead of using paper stickers on their products, which leave a gum residue behind, the stickers were magnetic! Further, Samsung recruited at the rate of three dealers per day in India. You are supposed to have three thousand dealers in the country if you want to go national, so if you recruit at the rate of three dealers a day you will reach your goal in three years' time. Moving fast in the market, they actually allocated 1% of their revenue for tipping shop boys who began promoting their products exclusively. While BPL took twenty five years to reach 1500 crores, LG reached that figure in three years. Taking the product to the market is something that the Korean companies have done better than the Indians. Ericsson is a B2B success story; it indigenised production early and did away with expatriates, thus saving on salary and bringing down costs from $104 per line to $90, thus confounding competitors. So it becomes evident that we need a scale to measure ability, to predict redefinition and a scale to measure taking these insights to the market. A sales metrics can capture some of this data but not all of it.

Return on marketing investments is difficult to measure firstly because it is really hard to decide what exactly is a marketing expense and what is a sales expense. Typically all the marketing investments get bundled; a more proactive company splits them into advertisement, sales, promotional expenses and so on. The problem really is, how much of product development gets reflected in these figures. Marketing insights result in features that may or may not be costly but might be crucial for the customer. For instance, take a simple product such as a pencil. The 'grip' of the pencil is the voice of the customer, while the hexagonal shape of the pencil that provides the grip is the voice of the engineer. This is a marketing insight that has been converted into a feature which can be machined and manufactured. Caterpillar, which makes earth movers, turns out to be a big favourite among users because of its air conditioned cabin. That small feature made a difference in getting contract after contract, because the workers running the machines cared about their own comfort.

Thus, a portion of the new product development costs, especially for the interesting features that get in because of customer insights, has to be factored into the marketing costs.

Marketing performance can be said to be efficient if it creates a brand, but this is not the only thing that matters. In his book, *For God, Country and Coca Cola*, Mark Pendergrast says that while he was researching his story at Coke's Atlanta headquarters, accidentally he found 7X, the secret ingredient in Coke which makes it what it is and which the company did not want to disclose. When he challenged the GM Marketing of Coke with his knowledge all that the GM said was, 'This is just 7X. Now let's see if you can make Coke out of it'. That is the difference between the product and the brand. 7X and the recipe are just the product, but the moment you take the American dream and bottle it as Coke, that's a very different story. I don't think the brand can be confused with the product; it is a lot of other things.

Many other factors impact brands and marketing performance. Suzuki generators were doing very well in India till the government decided that they wanted to indigenise the manufacture of generators. They gave licenses to local manufacturers and collaborations and shut off imports; thus the environment turned hostile for Suzuki. Chinese companies have taken over the Indian toy market because of their low prices and interesting ideas; similarly though the Macintosh and the I-pod were made by the same company, Apple, their marketing strategies were different. The I-pod has been a marketing success while the Apple Macintosh has a very niche market.

In conclusion, the five metrics to measure marketing performance would be:

- ability to generate new ideas
- one line revenue model for new ideas
- ability to predict redefintions
- insights to the market better and faster
- the extent and rapidity of the recovery of product development expense

Since most of these measures of marketing performance are attitudinal (soft) they would require the development of scales over time.

Wolfgang Messner

Enhancing Marketing Performance through Inbound Customer Marketing

My presentation is about inbound customer marketing (ICM) and its growing importance for enhancing marketing performance. Consumers today are deluged by advertising messages promoting an ever increasing choice of products and services via a growing number of marketing channels. As the advertising clutter grows and companies battle for consumer attention, consumers, on their part, have started exercising options such as subscribing to 'Do Not Call' lists, installing email spam filters to block out unsolicited marketing, and so on. In addition, the data privacy laws in different countries restrict the usage of customer information for unsolicited outbound marketing.

Under such circumstances, what do marketers do? There are alternative marketing mechanisms available; one of them is the move from 'interstitial marketing' to 'avails in life'. While 'interstitial marketing' presents messages in between other content that customers want to experience, the main idea behind 'avails in life' is to present customers with a rich information message in an environment of information scarcity in such a way that customers are not interrupted or delayed. For instance, when you are alone in a lift in your office building, you may be ready and willing to watch an advertisement. Google is a similar example; you type in the search request and get the information you are actually looking for and also see unobtrusive advertisements on the right side of the page. In these cases, the customer is actively looking for information, but not disturbed by marketing. Of course, it would be best if the customer received marketing information when expressing an interest in a related topic—as in the case of the Google ads.

> ICM represents a sales and marketing opportunity for companies to target customers when they initiate contact themselves at various touch points. Customers are more likely to react positively if they voluntarily initiate contact with the company. The challenge is to identify the best thing to say to the customer in light of the large number of offerings.

In this environment, ICM represents a sales and marketing opportunity for companies to target customers when they initiate contact themselves at various touch points. This presentation focuses on this move from outbound marketing to inbound customer marketing. Capegemini's research has shown that customers are more likely to react positively to an offering if they voluntarily initiate contact with the company; conversion rates can reach up to 50% for cross-sell, up-sell and retention offers. The challenge is to identify the best thing to say to the individual customer in light of the large number of products and bundles to choose from.

Capgemini and SSA Global (Epiphany) commissioned research in December 2005 to understand implementation trends for ICM among European companies. It emerged that ICM's success is best in the travel and leisure, and telecom and media sectors. The products here are not too sophisticated, are easy to explain and the customer is more willing to accept such easy products on the go than, for example, retail banking products. Financial services products are much more difficult to explain and consumers usually take a longer time to consider these products before they sign a contract. Still, retail banks have had simple offer prompts in their CRM systems for many years; insurance companies lag furthest behind in this regard.

However, the study could not prove any correlation between sophistication of inbound marketing and its established effectiveness. Nonetheless, it is important to understand the different methods of decision making, their levels of sophistication, and their application to business problems: an ICM capability can be developed at different levels of sophistication (Exhibit 4 provides an overview of the decision making methods for ICM). Basic ICM implementations tend to be driven by business priorities such as discounting high inventory products or promoting new service launches. These 'offers of the day' are marketed to all customers and lack personalisation to an individual's needs. More advanced mechanisms use predictive modelling to anticipate the customer's propensity to purchase or churn, and/or use real-time learning algorithms to take into account the most recent interactions to present fully personalised offers. Real time marketing

Exhibit 4 Decision Making Methods for Inbound Customer Marketing

	Decision making method	Decision making basis
Basic ICM	Offer of the day	Given to everyone
	Business rules	Apply non-customer rules (e g stock availability, sales performance, product margins/profitability)
Customer information based ICM	Customer profile	Applies simple customer data and history
	Business-metrics based segmentation	Uses customer data on revenue generated usage
	Customer-metrics based segmentation	Customer-metrics based: Uses customer needs, lifestyle, and behaviour related variables for segmenting the customer base
Advanced ICM	Predictive models	Predicts purchase propensity/chum likelihood, and selects cross-sell/up-sell offers
	Real-time learning alogrithms	Automatically changes decision criteria as customers respond to offers in the current interaction

Increasing sophistication

can be applied in ICM, wherein the customer calls in and talks to the agent and during this interaction knowledge is gained about the customer through the answers that the customer provides; based on these new answers the product or the offer to be made in the next few seconds is tailored. In the most advanced implementations, ICM is integrated across channels and uses the same common decision logic to ensure a consistent marketing approach.

Companies are recommended to deploy ICM in distinct phases as part of a marketing and customer service strategy and roadmap. The first phase involves developing a deeper understanding and insights into customer needs, requirements, and behaviour by developing appropriate segmentation and predictive analysis tools. The second phase should focus on enabling real-time interactions that will help capture the most up-to-date customer information. Such real time decision engines will help the channels react to the latest changes in customer behaviour and needs and drive targeted offers. In the third and final phase, ICM is rolled-out across various inbound channels ensuring a consistent customer experience across all inbound and outbound touch-points. However, an effective ICM deployment will require a change in organisational mindset at operational levels as ICM affects the very core of a company's CRM strategy. ICM is more than a system implementation and requires significant focus on people and processes across all channels.

One of our customers, a telecommunication company in Ireland, has implemented ICM. Together we have come up with customer-specific offers and achieved a 20% conversion rate of these offers which is much higher than what can be achieved with traditional outbound marketing. The concept is as follows: you study your customer and decide whether he requires a cross sales campaign, retention campaign or maybe a care campaign. There are different offers on products behind these three types of campaigns, with specific business rules that determine customer eligibility. The ICM algorithm has to rank the offers according to the product inventory, the likelihood of the offer being accepted, the benefit for the customer and the likely monetary value to the company, if the offer is accepted.

However, implementing ICM sounds a lot easier than it is; there are quite a few essential steps the company has to take. The phased approach as outlined before should be accompanied by a re-alignment of IS/IT-systems, people, and processes across the sales and marketing organisation. Attention to data, reporting and analysis, and offer development needs to be an ongoing activity. Laying the ground for marketing is a very important step—getting the data cleaned, getting your customer history in order and getting the marketing function to develop some new and interesting offers which customers actually want to accept. Analytical models must be created and put in place. Based on the answers from the customer, an automated algorithm must decide on what products to offer and what advise to provide. This has to be harmonised across all channels, that is the web site, the call centre or the retail outlet. The final step is then getting this concept past people and aligning all these processes.

In the case of the telecommunication company, the customer service agent turns into a sales person solving the customers' problems, servicing requests, and at the same time—and here comes the challenge—he is supposed to cross- or up-sell to the customer. This requires a lot of training! This challenge is one of the reasons why many companies find it easier to instal ICM on the internet rather than operate through a call centre.

Discussion

The Ambiguities of the Marketing Role

Seema Gupta: Prof Moorthi, you said that perhaps marketing people themselves are not sure about the scope of the work. Marketing usually means the 4 Ps. Where does the ambiguity lie?

Y L R Moorthi: At the cognitive level people know what marketing is. The problem really is that a typical marketing job actually takes the face of a sales job in an organisation. Even marketing people are trying to sell something. The difference between marketing and sales is the difference between actually playing chess and looking at the chess board. Marketing people are supposed to look at the chess board and see some interesting facts and patterns before they strategise; they're supposed to see the whole picture and the possible next steps, not just the bits and pieces that everyone sees. This is what the marketing people know they have to do and what the sales people know marketing has to do. Somewhere at the behavioural level of acting upon it there seems to be a gap. The desperation to sell tends to override this. A marketing person's business is to generate a great idea that sells. It is the sales person who has to go out and convince prospective customers.

Seema Gupta: There may also be a distinction between mid sized companies and large sized companies. In large sized companies the marketing function may be implemented because there are people with specialist skills and roles to perform. In mid and small sized companies, there may be no marketing people, so sales people double up as marketing people. In this case, the focus would be on the sales job.

Achal Raghavan: From an industrial B2B kind of scenario, most companies—small, medium, or even large often do not care to make those distinctions between marketing and sales. Many of us in actual practice recognise the true need for the strategic thinking that the marketing function is supposed to bring, but we find our own local solutions and do not necessarily have a nicely bundled marketing function headed by a marketing manager and another nicely bundled sales function.

The risk of this approach is that in the daily hurly-burly of having to meet your targets you tend to lose focus on the longer term, and unless the person at the head is very conscious that a certain proportion of time must be spent thinking beyond the next quarter and has the discipline to look into the market, chances are this function can die a slow death. FMCG companies behave differently. They go by so called global model scales and thus have separate functions but they also inherit the traditional fight between marketing and sales. Unfortunately even smaller companies get into this trap, as Bejoy discussed, of questioning the other's validity. What he said about aligning and integrating the sales and marketing functions makes eminent sense.

What the marketing role is could be a very relevant question if you are actually in the sales department and are asked to do some marketing. What does it mean? Do you do a survey and come back with it? Do you sell or do you survey? These are some of the real, day to day issues that would crop up in executing tasks. This confusion would be reflected in the performance appraisal. Therefore, I would support your point that there is role clarity required and it has to be fixed as a management function. It is not the employee's job to figure out what his tasks are.

Wolfgang Messner: In the world of consulting services, we see a lot of pressure from the delivery and sales functions on marketing. This pressure is not on planning or developing marketing mix models but on generating leads. Thus, from the sales and delivery point of view, marketing is seen as the function to create leads; marketing planning is at a higher level of functionality.

Bejoy George: From the point of view of QuEST Global, which is a small company, we see marketing as very important, and we also differentiate between sales and marketing. The sales teams that sell to clients abroad consist of people from that orientation and location. This results in very high costs. So we want to make sure their time is spent only on highly qualified leads; they should not be concerned with lead generation. We have put together a process and differentiated the roles very clearly.

We have found that a marketing person tends to act as a sales person when an incentive is linked to an order. He might also want to claim the incentive as his when it is linked to protecting the budget or increasing to a bigger budget next year. Behaviour gets modified based on the existence or absence of these possibilities.

Y L R Moorthi: Did you try any joint incentives for marketing and sales people to better align the marketing and sales functions?

Bejoy George: Yes, we tried them last year. One single formula was used for the bucket of incentives. How the incentive got shared was based on individual achievement. Since the bucket was the same, both the teams had to work together to increase the size of the bucket and what part you got of the bucket was based on your individual KRAs.

Marketing Metrics

Shainesh G: At the operational level, if you have a marketing group and a sales group in the organisation you would look at some metrics, since you are focusing on enhancing marketing performance. What would these metrics be and how frequently would they be measured as an appraisal of performance? My second question is at a more strategic level. At the CEO level or the board level, how much time is spent on discussing marketing related issues, allocating budgets, talking about returns on these initiatives and expected results?

Wolfgang Messner: Any publically listed company is these days works on a quarterly basis, so most of the marketing spend has to actually have positive effects in the same quarter. The limits, of course, are in the long term reach of marketing. If you work on long term product development, a big contribution comes from the initiative of individual consultants, which is driven by the operational delivery side; delivery people pass on insights upwards to marketing, which utilises and brings the insights to the market. This is how the marketing operation works in most consulting services companies.

At a strategic level, marketing also operates on a CEO level or on the company board level, but this is a different kind of marketing—based on which industries and service lines the companies want to focus on.

Bejoy George: At QuEST Global, two years ago, we decided we needed to measure the return on investment from taking part in trade shows, organising press conferences, making press releases, etc. One major question was what the period for measurement would be. Last year we decided that we would have to take part in trade shows and have a certain number of press mentions. This year we have decided that we are going to take part only in the three best trade shows from our point of view and have the best stalls we can. These are all quantitative numbers for the PR team and the events team. The lead generation team is measured on the number of business profiles they generate. A business profile from a target market consists of a lengthy document describing the company, its organisation, structure, products and services, acquisitions, pain points, etc. This helps put together a value proposition which is targeted and tells you exactly what you should offer to the customer. Marketing people are measured on that business profile, on the number of leads which come via that, and meetings and proposals that result. That is at the operational level.

On a strategic level the post of CMO (Chief Marketing Officer) has been created this year and marketing is represented at all strategising meetings. The marketing requirement and budget are put in place along with any other budget.

Measurement in Sundram Fasteners is based on a simple metric. We estimate what proportion of the current year's business target has come from new products developed zero to two years back. We establish the proportion that new products must contribute to the sales each year. If our company is to grow steadily in market share and size and in customer acquisition, NPD becomes a key part.

Achal Raghavan: Measurement right now in my current organisation is based on a very simple metric. Because of the variety of products we are dealing with, we need to estimate what proportion of the current year's business target has come from new products developed zero to two years back. We establish the proportion that new products must contribute to the sales each year. The larger the number, the better it is for us, given the high rates of obsolescence. If our company is to grow steadily in market share and size and in customer acquisition, new product development (NPD) becomes a very key part. This metric provides a feedback loop on whether the NPD policy itself is working or not.

This very simple metric is directly correlated with the marketing activity. If you are looking at current customers and current needs, that is, if you are going after market share, where you are trying to dislodge your competitor, that is a sales function, where you are most likely to get into pricing and discounting, and those kinds of price wars. But if you go to your current customer with new needs, that is clearly a marketing function, where you are trying to find out emerging needs ahead of the customer; if you can build answers to those needs into your NPD and get profit and revenue out of it, then it is contributing to expanding your pond, and therefore it is a marketing function. This is our current mode of operation at the tactical level—we are looking at NPD as a very simple metric for the effectiveness of marketing translating product development into revenue and hopefully, some profit.

At the strategic level, the marketing function in our company is integrated with sales; there is no specified marketing person who does only marketing. It is very clearly understood that the person is supposed to do a little bit of both, and at the senior levels of management you are expected to allocate your resources so that you get both done. At the strategic level, I think the key role marketing is expected to play and has been playing is to identify businesses into which the company should go.

Much depends on the kind of lead that the marketing function or customer interface people provide, based on interaction with customers; worthwhile leads can then generate interest in the senior management of the company. Rather than independent research, we would have the customer leading us by the hand, so to speak, towards business ideas, towards our expansion because that is an indication of a real need and would be a sure shot success.

Using Technology to Improve Marketing and Sales Performance

Avinash G Mulky: There is a lot of technology available today that can help sales people to improve their productivity. What kind of technology do you think is important in the context of your company and your industry that would be useful to help improve performance?

Wolfgang Messner: Let me talk from Capgemini's point of view. We are engaged in B2B selling for consulting services, for technology services and outsourcing services. Sales technology is basically about capturing customer requirements and the interaction history. We have a typical tool which allows us to capture what has happened with the customer, the deals we have with the customer and the deals we may have lost to competitors. There is also a profitability analysis included. Afterwards, what's important is reporting and finding out why we have lost deals or why we want deals, coming up with information which allows the marketing and sales departments to work on the next deals or for similar deals to better answer the customer needs. The information assets which have been created on RFPs (requests for proposals) are stored and they are easily accessible for the next person who has to work on a similiar RFP in order to gain speed and quality.

Bejoy George: QuEST Global uses a tool called Sales Force Automation (www.salesforce.com), the use of which we are planning to increase. This is a Customer Relationship Management tool and helps us keep track of the lead/prospect as it becomes a customer and then an account. It has to be used by everybody, both the sales people and the lead generation team.

Avinash G Mulky: Research indicates there is a certain amount of reluctance on the part of sales persons to use such tools. How do you overcome this?

Bejoy George: We build it into the KRA. We use the Balanced Score Card for tracking the KRAs from the corporate objectives all the way down—we include the customer, process, finance and capability. There is a certain weightage given for using the SFA tool and any other tool that may be specified, for earning part of the incentives payout.

We are also trying two more traditional technologies. One involves having people answer sets of questions. It tries to categorise our top player in sales; for example, we have profiled a top player for our business based on the best sales person and we compare against those traits the behavioural attitudes of a new recruit or the existing sales people, to get the best drivers in the most appropriate seats. The next level of this tool is concerned with our prospects. When we go for a meeting with our customer, we see how they respond to judge what we should do at the next step. The third technology we have just come across is a tool for comparing different products or services, which we plan to use in decision making.

Achal Raghavan: In terms of technology, I would like to talk about one of my previous organisations which was faced with the challenge of global account management—multiple entities of the company dealing with the same customer but at different points on the globe. We wanted to be on top of the customer interface situation; if there was a positive breakthrough achieved in a particular country or an issue with a customer in a particular location, we wanted all the other country representatives dealing with the same customer to know about it.

We used a tool which was basically like an electronic scoreboard which was visible to selected people with password protection At any point, for a particular customer worldwide, we could look at the current status of the entire business. This technology is very useful in real time to know what is happening and is likely to happen worldwide with a single corporate customer.

But unless populated with data, this exciting technology is useless. I completely agree that there is reluctance from many sales people to part with what they think is their knowledge, and there is also this feeling that they become dispensable if that knowledge is sucked out of their head and saved on a hard disk. The success of such an initiative depends a lot on the work culture and on how the data base is used The managers who use that data have a major role to play in convincing their subordinates that this is a very useful tool. It must be used to generate more discussion on breakthroughs and not just focus on the failures. The technology has to be used in a positive way. If this spirit is exhibited in action people will cooperate and the technology will be useful. The increasing globalisation of business will make it absolutely essential that we share data about common customers across the globe.

B2B Brand Building

Avinash G Mulky: My next question is to Prof Moorthi. From your experience, do you think that B2B companies have different ways of building the brand, especially now, in the context of Indian companies going global, acquiring companies abroad or increasing operations or getting into consulting services. How do industrial companies go about building a brand? How do B2B companies go about building a brand?

Y L R Moorthi: The more you look at these things the more they seem to be the same. For the last thirty years marketing books have been written yet there are only five major ways of reaching customers—advertising, sales promotions, personal selling, direct marketing and PR. All the other new marketing ideas are variants of these five. What is called internet marketing today is nothing but direct marketing—basically catalogue marketing through e-mail. Event marketing is nothing but a variant for sales promotion.

The question is what the company wants to do. Intel actually branded an ingredient. On the face of it, there is absolutely no reason for a component or an ingredient to flaunt itself; from the conventional point of view it is actually B2B. Yet when a company went out and said computers were better because its processors were inside the campaign was a big success. Thus the impact at the end is really the same whether it is business to customer (B2C) or B2B. You want to leave a certain image, a certain message with the customers never mind the vehicle used for doing it!

Wolfgang Messner: In the consulting and technology services business, there are probably three aspects to branding. One of them is through good work and references; it is amazing how well CEOs are connected and how the word about the quality of your work spreads. Most RFPs are supported through reference calls so real good work for one client and then many clients is essential and pays back - but of course, the negative word will also spread.

The second very important aspect is marketing and branding your organisation in terms of thought leadership through papers, publications, etc. Basically, what I am doing here by attending this Round Table, which I know will be published, is a contribution to this aspect of marketing—showing your customers that you are ahead of the competition, that you are a leading company in a specific area, in a specific niche market, etc—and in this way attract market attention.

The third very aspect is branding—and we use this as well; we have branding campaigns worldwide, but they are only a supplementary factor with a supporting effect in comparison to the effects of references and thought leadership.

Avinash G Mulky: Thank you all for making the time to participate in the discussion, and for your inputs.

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