

Quality's New Frontier

*Applying continuous improvement tools to
marketing and sales* | by John Goodman and Ken Feldman


Just the Facts

Marketing and sales (M&S) personnel often are concerned that applying quality methods to M&S processes will suppress creativity.

Customer loyalty is damaged most when the customer feels they have been misled by M&S.

Demonstrate to M&S personnel the benefits quality tools can bring to their processes.





The phrase “We’re different!” is one that quality deployment leaders hear from all parts of their organizations, particularly marketing and sales (M&S), as a reason to be against implementing quality practices.

There has been only one article in QP in the past 10 years addressing quality in M&S. In 2007, Michael Pestorius suggested quality methods such as Six Sigma and continuous improvement hadn’t been applied to M&S for several reasons,¹ including off-premise sales transactions, quality managers’ lack of credibility with M&S and fear that systematizing processes would squash the entrepreneurial spirit.

Pestorius suggested Six Sigma would be appropriate for training sales reps and managing the sales process. In fact, quality can go beyond improving those processes to affecting the interaction between the marketing message and the sales rep and customer to fundamentally establish the full range of customer expectations across the entire customer journey.

Research in consumer and business-to-business (B2B) environments shows as much as one-third of customer dissatisfaction stems from incorrect customer expectations (for example, overblown promises, confusing promotions and foreseeable and avoidable errors in product use) that could have—or should have—been accurately set by M&S.²

Several B2B customer surveys in various markets (such as distribution, business services, medical devices and chemicals) have found issues related to incorrect customer expectations tend to do more damage to customer loyalty than other problems because customers believe they have been intentionally misled—which also is why customers often don't complain.³ The problems doing the most damage to customer loyalty, therefore, are the ones organizations hear about the least. Because of this, M&S should be a key target area for using quality tools.

Some question whether it is appropriate to lump marketing and sales together and ask whether quality tools can be better applied in one discipline versus the other.

Marketing has been a bit more receptive to implementing quality tools because of its extensive use of data and data analysis—market research, surveys and consumer insights, for example. This type of information is data-rich, but

marketing people bring up the mistaken idea that use of data interferes with creativity.

Setting correct customer expectations also includes warning customers of product or service limitations. But as one chief marketing officer of a major financial service firm once said, "It is not in the DNA of marketing guys to talk about problems or limitations."⁴ Therefore, for the moment, fairly or unfairly, we'll paint both functions with the same brush.

The problem

M&S personnel view their role as selling products, not setting or limiting expectations.

The six most prevalent reasons M&S personnel give for why quality tools should not be applied to M&S are:

1. **It's not always clear who the customer is.** Although the consumer is the end user in a business-to-customer environment, a manufacturer often sells its products through retailers and other channels. For instance, Dr Pepper Snapple Group sells its products to marketing channels, such as supermarkets, big box stores, convenience stores and drug stores—not to individual consumers.

Even in a B2B environment, there are multiple customers in a client organization. For example, a copier organization has procurement executives, office managers and machine operators who all have different needs. Dr Pepper Snapple has buying executives, national buyers, regional buyers and individual store managers, all with different needs.

2. **M&S is about relationships, not processes.** M&S executives view the sales call as the critical value-add that fosters a relationship. The most successful sales reps, however, are those who recognize that success is more than just showing up and handing out promotional items.

Many marketing professionals say creativity is the key to success, but the best reps develop a repeatable process that overcomes the inefficiencies of treating each sales call or marketing project as a standalone event.

3. **Many external influences affect sales, which make it difficult to measure impact.** M&S failures—the economy, new competitive products, bad press or, the most common rationale, loss on price—are often blamed on these external factors.

These reasons are invalid because a good M&S process considers these external factors. Also, if an organization's product provides a greater value than the competition, the organization can still win the sale even if its price is a little higher. Loss of sales because of price indicates the organization didn't effectively communicate its product's greater value.

In many cases, products are seen as a commodity. While this isn't exactly true, Dr Pepper Snapple, for example, has to demonstrate the value it brings to the table, especially when larger companies, like the Coca Cola Co. or PepsiCo Inc., decide to go after market share by dropping prices for comparable products.

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Several years ago, Coca Cola decided to expand its share of the orange drink market with Fanta, so it dramatically lowered its prices compared to similar products sold by Dr Pepper Snapple. Dr Pepper Snapple had to convince customers (retailers) they would make more money by providing them strategic and operational guidance. In a multitiered market, value must be conveyed at multiple levels, not just through price.

4. **Data aren't always available and learning voice of the customer (VOC) can be expensive.** Gathering data on each step of a process, such as sales, also can be difficult and expensive. Sales reps are notorious for not wanting to fill out forms (such as surveys, process maps, standard work documents and time studies, for example), and customers are reluctant to provide feedback about someone they depend on for support.

While there is an abundance of sales data available from sources such as Nielsen, it is sometimes too broad to provide sufficient insight regarding how to improve the process, and most organizations aren't skilled at understanding or analyzing data to cull useful information.

5. **An industry is highly regulated.** In many industries, M&S promotional approaches are regulated. Even in the most regulated industries, however, such as pharmaceuticals and insurance, lean Six Sigma (LSS) and quality processes have had significant impact. The conservative approach is often a smokescreen for resistance to change and measurement.
6. **LSS is considered a method to be used only for manufacturing.** While quality tools were first applied in manufacturing, where

Mini case studies

THE FOLLOWING CASE STUDIES ARE EXAMPLES OF THE MYRIAD BENEFITS DIFFERENT COMPANIES EXPERIENCED AFTER APPLYING QUALITY TOOLS TO THEIR MARKETING AND SALES PROCESSES.

Dr Pepper Snapple Group

The lean Six Sigma (LSS) team learned each marketing campaign was treated as a separate process. Work was undertaken to understand that regardless of the details of the campaign, most of the steps were similar and consistent across the process.

Standardizing the process resulted in a more consistent, timely and on-budget marketing campaign without detracting from the creative element. Another application of quality tools, including multiple regression, hypothesis testing, control charts and value stream mapping, allowed for significant sales growth in a major product by adding 75,000 points of distribution and filling 30,000 shelf voids, which resulted in more than \$8 million in additional sales revenue. If it isn't on the shelf, it can't be sold.

Failure mode and effects analysis and process mapping were used to analyze sales failures and added \$8.5 million in case sales revenue.

Regional insurance organization

A major customer point of pain was the valuable limitation in most homeowners' policies. The quality and service staff of the organization suggested modifying the welcome letter sent to new customers to highlight this limitation.

While sales objected to this change, a pilot test was conducted and found customers were not turned off by the up-front notification. In fact, customers bought riders for additional insurance, which produced additional revenue. Complaints decreased.

National insurance organization

The annuity unit of the organization requested assistance from the LSS team to improve the death benefits payout process. The problem was that multiple interactions were needed to pay out death benefits because beneficiaries weren't signing and returning the required forms.

Journey mapping and customer interviews found many beneficiaries didn't want to receive the benefit payout. Instead, they wanted to keep the money invested with the insurance organization. This was an ideal outcome for the organization because it could retain the invested assets.

Construction organization

A northern Virginia construction organization markets through customer education at women's groups and PTA meetings.

The organization set correct customer expectations for quotes via its website and receptionist, and has cut cycle time by quoting small jobs over the phone. It also set expectations for allowances, set correct customer expectations and allows customers to view project management plans online.

Technology organization

SalesForce.com identifies inefficiencies in its clients' use of technology and, working with the client, uses customer success executives to retrain the client's staff. Clients perceive higher value and are much more likely to renew annual contracts.

—J.G. and K.F.

tangible inputs and outputs are easily measured, M&S have inputs and outputs as well. There are many applicable tools, such as value stream mapping, cause and effect diagrams, and brainstorming, that also apply to M&S.

The bottom line

In manufacturing, quality usually is justified in the production process by noting the cost savings of performing a process correctly—doing it right the first time. While this also applies to M&S processes, the payoffs in top-line revenue and word-of-mouth impact can be significantly greater. Negative customer experiences due to incorrect expectations not only cause greater damage to customer loyalty and foster negative word-of-mouth, but also lead to extra costs. The top and bottom-line impacts of incorrect expectations can be quantified in several ways:

Damage. M&S issues cause up to four times more damage than other quality issues. In most cases, however, surveys designed by marketing fail to mention or highlight issues of being misled. Research with insurance, business services and technology companies suggests that customers are more strongly affected, but at the same time less willing to complain about such problems. But they do affect customer loyalty.⁵

In many surveys, the customers are presented a list of possible problems and asked to identify which, if any, they have encountered with the supplier or the product or service. If a customer identifies more than one problem, he or she is asked to rate which problem was the most serious.

The data are analyzed to isolate which problems affect customer loyalty and word-of-mouth the most.

M&S problems, such as “the sales rep misled me” or “I was confused by your marketing literature” can cause up to four times more damage to customer loyalty than operational issues, such as shipping errors or delays.⁶

Misleadingly low complaint rates. There is an assumption that if the number of complaints is low, customers are satisfied. Research across a score of industries suggests most customers (and as many as 90% in consumer packaged goods) don’t complain about many of the problems they encounter because it’s too much hassle, it’s not important enough or, in B2B environments, it may create ill will with the sales rep or other staff members in the organization.⁷

Heightened regulatory risk. Misleading customers often leads to regulatory interventions that, in turn, can spark loss of sales and significant expenses. For instance, in November 2015, Volkswagen experienced a 25% decline in sales compared to only a 2.5% decline for the automotive industry as a whole.⁸

Likewise, a medical device manufacturer that received a warning letter from the U.S. Food and Drug Administration, based partially on customer complaints, ended up spending almost \$100 million in compliance costs.⁹

Unnecessary costs. Three examples of unnecessary expenses created by defective M&S processes are providing extra service where it is unneeded or unwanted, spending more money designing and producing new promotional materials, and confusing customers with complex promotions.

In the B2B cigar manufacturing market, for example, many small and medium retailers were happy to place most of their orders via the internet and desired only a single annual visit from a sales rep, while other retailers ordered only from sales reps who made personal visits. Asking customers their preferences regarding personal visits can free up significant sales resources.¹⁰

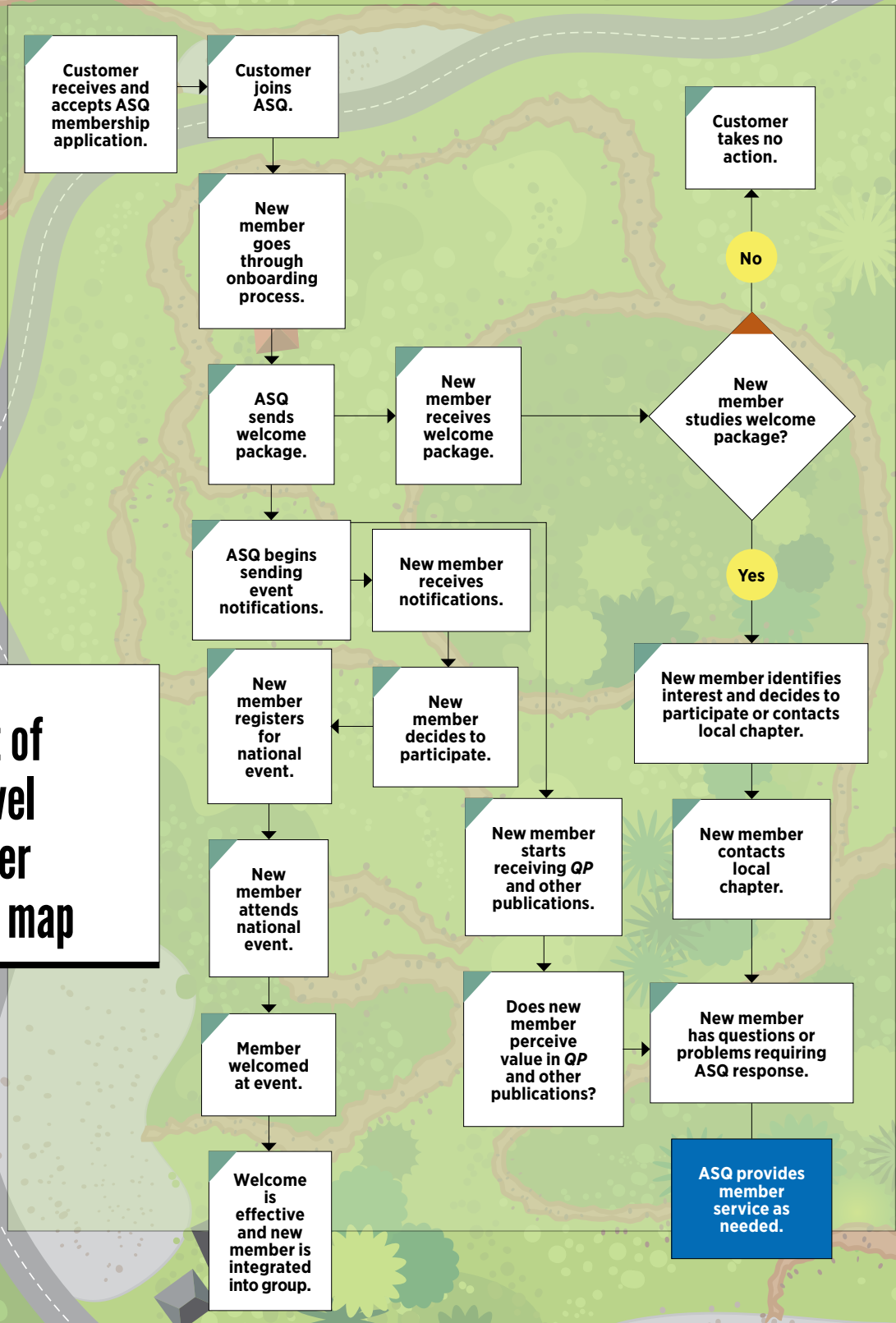
Likewise, at Dr Pepper Snapple, the creation of a routine approach to designing and producing promotional materials led to a savings of over 50% in this expense category. Before this process was instituted, millions of dollars of unused point-of-sale materials were being disposed of every year due to poor communication and execution between M&S.

At a different beverage organization, a survey found 70% of consumer calls to the organization’s toll-free number involved confusion about overly complicated marketing promotions.¹¹

The solution

In many organizations, when the sales function closes a deal and wins a customer, the M&S team moves to the next campaign. If the revenue loss, service costs and negative word-of-mouth that result from incorrect customer expectations can be identified and quantified, however, the organization has an economic imperative to enhance its M&S processes.

FIGURE 1
Excerpt of high-level customer journey map



Quality methods, such as VOC, therefore should be the primary way to determine the role of M&S in setting customer expectations. VOC should be used to identify and quantify the specific number of affected customers and estimate the revenue and word-of-mouth impact of these issues.

Use the customer journey as the context to link marketing functions and sales functions to achieve ultimate customer loyalty and positive word-of-mouth. Gather input from representatives from all parts of the organization to create a customer journey map.

Begin by identifying customer needs and product specifications, and review design, production channels, delivery, purchase and use. Ask what problems or unpleasant surprises customers encounter during each of these stages.

Involve IT personnel because they will be aware of software that can report problems and transaction failures in advance (delays that will affect delivery to the retailer or end-user customer, for example). Figure 1 (p. 41) provides a portion of a customer journey map based on an analysis done by the ASQ Voice of the Customer Committee.¹²

Add customer error and incorrect expectations to the scheme of causes of dissatisfaction using broad VOC data, and quantify the number of customers affected.

Most VOCs consist of surveys and complaints. Other valuable data sources include:

- + **Operational data**—Data on missed shipment and delivery dates, for example, can indicate customer dissatisfaction even if a complaint was never made. Unpaid invoices also can indicate dissatisfaction. Investigating why

an invoice wasn't paid provides the organization with an opportunity to enhance cash flow, reduce collection costs and fix the quality issue that first evoked the customer's withholding of payment.

- + **Employee input**—Frontline employees are often acutely aware of customer frustrations before they ever surface as formal complaints or survey results.
- + **Social media**—Consumers often provide negative online reviews even before they return the product or make a formal complaint.
- + **Sales reps**—Sales people, who have direct contact with customers, have a strong incentive to not report problems because they must then spend their valuable time cleaning up messes rather than selling. Sales reps must be given easy channels to report problems or they will simply give the customer a credit and move on, with no one at headquarters aware of the real problem.
- + **Channel input**—The customer of the manufacturer of the product that subsequently sells the product to the end user must channel any information about end-user problems with the product back to the original manufacturer.
- + **Website search data**—Organizations must learn about times customers are unable to find answers about where to buy its products or get answers to questions.

Much of this data already exists. The problem lies in collating and analyzing it.

Organizations must quantify the bottom-line damage (such as excessive costs, decreased revenue and negative word-of-mouth) of M&S-based quality issues.

M&S processes are often inefficient and nonsystematic. Pestorius suggested if the efficiency of the five key M&S steps (prospecting, building rapport, identifying needs, making the offer and overcoming objections) is increased from 90% efficient to 95% efficient, an organization would generate 18% more overall sales with the same resources.¹³ If dissatisfaction due to incorrect customer expectations is cut in half, overall customer dissatisfaction would be reduced by 10 to 15%.¹⁴

Problems regarding promotions and where to buy an organization's products should be included in the quality equation because they often lead customers to abandon their intended purchases.

Quantifying these factors doesn't need to involve a complicated research project. Interviewing a small sample of customers, looking at operational data and talking to a half-dozen field sales reps should provide a rough estimate of the cost of quality as well as several examples to illustrate the damage of the status quo.

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Action plan

Applying quality tools to M&S processes must be recognized as a revolutionary culture change. As such, you should gain small, nonthreatening victories before attacking sacred cows. Conduct a small number of interviews with veteran and novice sales staff members to help them understand the current process. Because incorrect customer expectations often surface later in the customer journey as complaints articulated to customer service, talk with customer service staff to understand the level of damage caused by incorrect customer expectations.

Seven steps will help improve quality in M&S processes:

1. Prepare a customer journey map with input from frontline staff, including operations and service, identifying key interactions with the customer and opportunities for customer loss and delight. See Figure 1 for an example.
2. Demonstrate the benefits of applying quality tools through a top-line analysis of current processes, costs and revenue opportunities. Analyze high-cost areas and estimate revenue and word-of-mouth enhancement opportunities. Create a conservative estimate of the overall financial impact of the current customer experience. More than 1,000 customer studies have shown 50% of attrition is due to poor customer experience.¹⁵
3. Identify opportunities for enhanced efficiency, reduced customer dissatisfaction and avoidable customer mistakes. Quantify the number of customers affected by each issue.
4. Conduct a random survey of customers to identify the full range of dissatisfaction and the extent to which it is communicated.
5. Experiment with a broader VOC process. Determine two customer interaction failures that can be identified in the VOC process and create a way to proactively notify the customer of those failures. Measure the payoff in reduced service costs and increased customer satisfaction.
6. Experiment with proactive onboarding of new customers, ideally using short, entertaining website education composed of videos.
7. Identify and understand M&S processes. Eliminate waste and focus on what is important to the customer and consumer. **QP**

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John Goodman is vice chairman of Customer Care Measurement & Consulting in Washington, D.C. He holds an MBA from Harvard Business School and is the author of *Customer Experience 3.0* (American Management Association, 2014).



Ken Feldman is a senior director of rapid continuous improvement at the Dr Pepper Snapple Group in Plano, TX. He holds a doctorate in industrial engineering and psychology from the University of Miami in Coral Gables, FL.