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# Optimize Your Customer Engagement

Why the Economics of Volume Matters

by Dan Fineberg

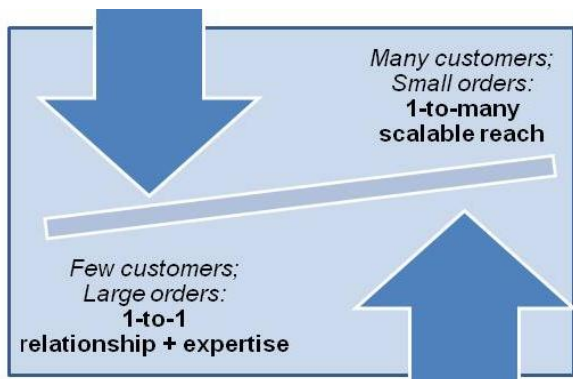
## EXECUTIVE SUMMARY

Best practices for filling the sales pipeline differ when you have a few big customers compared to many small ones. Although each business tends to have a mix, demand generation strategies frequently fail to comprehend the different approaches required—e.g., each customer in a high-consideration/low-volume segment requires far more qualification than each mainstream customer in a commodity market. Although lead generation and qualification might be done by someone with a Sales, Marketing, or Business Development title, the important issue is not about turf, but how to scale demand generation for your business. Answering that question requires focus on the people, process and technology implications of scaling your customer engagement model. The economics of customer volume should guide you. Collaborate with your key stakeholders to break through revenue bottlenecks by optimizing three fundamentals of demand generation: pipeline strategy, lead definition, and rules of customer engagement.

## YOUR ROLE IN LEAD MANAGEMENT MAY NOT BE WHAT YOU THINK.

The economics of volume govern the roles and responsibilities of sales and marketing teams. When a few customers make big purchases, direct sales experts manage complex account relationships—marketing professionals support them with collateral, events and factory visits. But when many customers make small purchases, direct-relationship and channel marketing methods scale a company's capacity to generate, qualify and manage leads across its demand-chain ecosystem (see Figure 1).

Figure 1: Economics of Volume Impact Demand Generation



Intel's processor business illustrates both extremes: it sells hundreds of millions of units a year by operating in two main environments: (1) direct sales to several OEM accounts that make periodic large orders; (2) demand-pull marketing to tens of millions of end-users who go to the Web or retail channels to purchase computers with "Intel Inside".

Most businesses market to several segments, so you need multiple customer engagement methods. Optimizing that mix requires a rational re-examination of the people, processes and technologies used for demand generation. Three policies form the fundamental underpinnings for you and your key stakeholders to figure this out: pipeline strategy; lead definition; and rules of engagement.

- 1. Pipeline Strategy: Acquiring new customers or managing key accounts** Product management and marketing professionals often allocate time and resources to emphasize new customer acquisition and lead management over more mundane sales support activities such as developing collateral or planning customer events and trade show exhibits. However, customer volume is a key determinant of marketing strategy that cannot be, but too often is, overlooked. In markets that feature low customer volumes, sales teams focused on customer profit, deal size, and recurring purchases, may correctly view lead generation efforts by the marketing team as unnecessary and counter-productive<sup>1</sup>. In contrast, a market with millions of customers requires scalable direct-relationship marketing to generate, qualify and manage the volume of leads.
- 2. Lead Definition: What qualifies a lead for sales follow-up?** When your business requires new customer acquisition, lead scoring can accelerate pipeline growth and improve its quality<sup>2</sup>. Lead qualification criteria such as budget, authority, need and timeframe (BANT) drive many scoring systems, but online analytics can reveal active user profiles (also called "digital body language"<sup>3</sup>). The greater your customer volume, the more you need scalable, online channels, and more dynamic, behavior-based lead scoring<sup>4</sup>. Consider your market, and work with your sales leaders to identify, weigh, and continuously improve the qualification criteria that best define leads for your business.
- 3. Rules of Engagement: Who contacts customers, and when?** In the low-volume extreme, the sales team drives recurring big purchases by key accounts: account managers build customer relationships, loyalty and repeat business with face-to-face interaction; marketing teams support the process with collateral, events and factory expertise. In the high-volume extreme, marketing teams drive new customer growth with scalable lead generation, qualification and management operations: direct-response promotional offers qualify voluminous leads progressively along the buying cycle; ready-to-order sales opportunities go to indirect distribution or online customer self-service. The greater your customer volume, the more you need scalable, direct-relationship marketing operations. But the more you rely on a few customers for repeat business, the more you need sales experts managing key accounts—and customer contact—at each stage of the buying cycle.

## ENGAGE SALES LEADERS TO OPTIMIZE LEAD MANAGEMENT

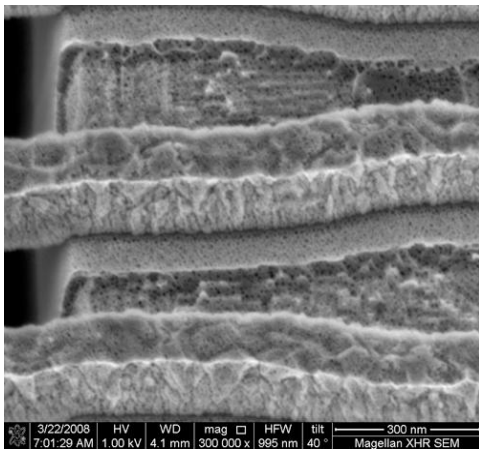
Many sales leaders expect their teams to personally engage customers face-to-face, qualify them, and configure solutions to meet their needs<sup>5,6</sup>. Conversely, many marketing leaders expect their teams to use direct-relationship marketing technologies and processes to generate, qualify and assign leads<sup>7,8</sup>.

Businesses succeed more often when sales and marketing professionals work together as a high-performance team. Sadly, disagreements and competition over lead management can challenge that scenario—both groups tend to accuse the other of incompetence in closed-loop lead management processes.

There's generally more to the story when marketing says it generates great leads but sales doesn't execute, or sales says poor lead quality from marketing is their biggest problem. The likely issue is a poor fit between the customer volume and the method of customer engagement.

### Pipeline Strategy: Acquire New Customers Or Manage Key Accounts?

Product management and marketing professionals tend to see the world through high-volume lenses, focusing on lead generation and new customer acquisition. Your market may or may not fit that model, depending on customer volume.

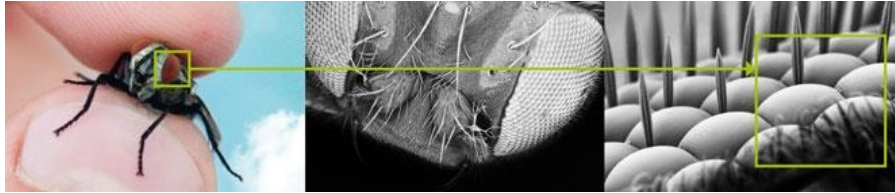


Consider FEI, a leading developer of particle-beam imaging and analysis systems. The Nanoelectronics Division sells multi-million dollar capital equipment items to advanced semiconductor manufacturers. Thanks to Moore's Law, manufacturers need to refresh that equipment every few years to continue pushing the envelope (see Figure 2).

*Figure 2: Surface details, here magnified 300,000 times, can help advanced semiconductor labs speed-up ramp-to-volume and improve yield through better failure analysis.*

That division drives a regular flow of orders, albeit at very low unit volumes, by managing strong sales relationships with the R&D and failure analysis lab managers who specify and use the tools at key accounts. When the marketing team pushed more aggressive lead generation, qualification and management programs, the sales team correctly viewed the effort as an unnecessary distraction.

Another FEI division used category-creation to build a higher-volume growth business. They targeted relatively large numbers of new customers with a lower-priced, simpler-to-use "personal electron microscope" (see Figure 3).



*Figure 3: Phenom was designed to transform science education and technology innovation just as PCs transformed business productivity decades ago.*

That strategy required a different approach compared to the strategic account management model that works so well in the semiconductor manufacturing segment. Here, distributors and reps relied on the marketing team to build and manage online campaigns that drove a flow of qualified leads to them for closure.

Beyond that modest effort, truly mainstream products that reach millions of customers require a more sophisticated approach. Pay-per-click (PPC) advertising and search-engine optimization (SEO) may be necessary but not sufficient, even if you diligently test and refine your tactics with analytic tools. Today, marketing automation platforms from several vendors promise to transform the way businesses generate, qualify and manage leads.<sup>10</sup>

#### **Lead Definition: What qualifies a lead for sales follow-up?**

When your customer volume is high, scalable marketing operations can cost-effectively generate, qualify and manage leads for efficient sales closure. Classic lead scoring criteria such as budget, authority, need and timeframe (BANT) help sales channels rapidly close growing numbers of customers. But lead qualification criteria and their relative importance vary with the dynamics of your business. For the FEI Nanoelectronics Division mentioned above, budget mattered most—failure to engage contacts that had approved budgets would push the buying cycle out as much as a year. But for the entry-level Phenom, timeframe mattered most because its price sat below most customers' formal budget approval thresholds.

#### **Rules of Engagement: Who communicates with contacts, and when?**

In the low-volume, key accounts strategy, the sales team builds customer relationships, loyalty and repeat business with face-to-face interaction—they control virtually all your contact with customers. The marketing team supports the process with collateral, events and factory expertise.

In the high-volume, direct-relationship marketing strategy, the marketing team drives new customer acquisition with scalable operations—direct-response offers qualify numerous leads, and ready-to-order sales opportunities go to indirect distribution or customer self-service channels. The marketing team hands-off qualified leads to the sales channel late in the buying cycle.

Intel's business in the 1990's illustrates that low- to high-volume customer range. Before the corporate marketing team deployed the *Intel Inside* strategy in 1992, the company's few marketing professionals focused on sales support with collateral, events and factory visits. A handful of big OEM customers accounted for most of the business, and Intel sales and application experts teamed up directly with customers to help design their systems using Intel chips. William H. Davidow tells the story of Intel's design-win strategy in his 1986 book, [\*Marketing High-Technology: An Insider's View\*](#).

After the deployment of *Intel Inside*, most of the business continued to come from a handful of big OEM customers. But Intel's growing marketing force rapidly grew the business by accelerating end-user demand, beyond the reach of OEMs. As Intel marketing took over more of the OEMs' product and marketing role for desktop, server and mobile platforms, synergistic air cover, point-of-sale, and channel incentive programs established a consistent value proposition and cost-effectively generated growing business volume via the OEMs' sales channels.

## RECOMMENDATIONS

### **Work out Lead Management with your Sales Team**

Technology product management and marketing professionals should engage their sales leaders to improve lead management. The conversation should focus on how customer volume impacts your ability to fill the pipeline, qualify leads, and engage with customers.

- **What are you going to do differently, now?** Document recent customer volume history and opportunities, and organize your product portfolio by customer volume. Then engage your sales leaders to break through buying cycle bottlenecks by improving lead generation, qualification and management.
- **How should sales leaders react?** The economics of your customer volume situation can help you drive sales and marketing alignment on lead management strategy and tactics. To get there, start with your pipeline strategy, lead definition, and rules of engagement. Each should comprehend *key account management* for your few big customers and *scalable marketing operations* for your many small customers.
- **What does it mean for other executives?** Aligning sales and marketing teams will remove obstructions in the sales pipeline. It makes it easier to employ the most cost-effective people, processes and technologies to fill the pipeline with qualified leads for rapid closure. For low-volume niche markets, it can mean greater profitability by removing the distraction and waste created by well-intended but unnecessary lead generation campaigns. For high-volume mainstream markets, it can mean faster growth by removing objections to investment in marketing automation technologies and processes that can transform the business.

## ENDNOTES

1. These points are based on my own experience at FEI Company (2007-2009), as global marketing manager for the Nanoelectronics Division and as marketing director for the Phenom “personal electron microscope”.
2. For more on lead scoring, see the Forrester Research report, [Four Ways To Grade Lead Management Maturity](#), by Laura Ramos. January 15, 2009.
3. In January 2009, Steven Woods, CTO of Eloqua published [Digital Body Language – Deciphering Customer Intentions in an Online World](#). The book discusses best practices for analyzing and understanding customer intent.
4. For more on customer analysis, including online analytics, see the Forrester Research report, [The Marketing And Customer Analytics Software Landscape: Unraveling A Potpourri Of Technology Options For Customer Analysis](#) by Suresh Vittal with Dave Frankland and Carlton A. Doty. October 16, 2009.
5. “For the majority of sales leaders, prospecting remains the most reliable form of creating opportunity.” [Technology Buyer Insight Study: Executives' Preferred Forms Of Sales Contact—Engaging With Executives Is More About What To Say Than How To Say It](#), by Scott Santucci with Eric G. Brown and Robert Muhlhausen. Forrester Research. May 17, 2010
6. “...vendors with large portfolios are ... shifting their focus from gaining market share of key products to expanding the wallet share within targeted accounts. Executing this strategy requires sales teams to ... manage multiple large opportunity pursuits simultaneously, and to configure solutions based on customer requirements across product lines or business units.” [A Systematic Approach To Strategic Account Programs Improves Tech Sales Performance: Account Value Mapping Expands Wallet Share In Key Accounts](#), by Scott Santucci with Eric G. Brown, Ellen Carney, and Robert Muhlhausen. Forrester Research. October 19, 2009.
7. “Business marketers must handle a growing range of challenges to build brand, deliver qualified leads, and sustain customer loyalty...” “Forrester sees too few marketers using marketing measurement tools and technology as part of a regular planning, execution, and feedback process. A Left Brain Marketing strategy — one that requires deep audience knowledge; the application of data-backed analytics; and strong, centralized operations to instill the discipline and maintain the systems to support it — applies more than ever to B2B marketing.” [Inquiry Insights: B2B Marketing, Q3 2008](#), by Laura Ramos with Heidi Lo, Bradford J. Holmes, and Zachary Reiss-Davis. Forrester Research. August 22, 2008
8. “Marketers who measure the impact of their Customer Intelligence (CI) say that it ...improves customer acquisition, retention, and satisfaction, as well as revenue, profitability, and customer value.” [The Intelligent Approach To Customer Intelligence: A Framework For Turning Customer Data Into Smart Business Strategy](#), by Dave Frankland with Carlton A. Doty, Suresh Vittal, Zach Hofer-Shall, and Emily Murphy. Forrester Research. October 16, 2009
9. These points are based on my own experience at Intel (1989-2006), supporting X86-based technical workstation platform sales, managing reseller programs for mainstream networking products, leading enterprise end-user campaigns for X86-based server platforms and market-development initiatives for X86-based mobile wireless solutions.
10. For more on marketing automation platforms, see the Forrester Research report, [B2B Lead Management Automation Market Overview: Multiple Vendor Choices And Confusing Claims Slow Adoption](#), by Laura Ramos with Peter Burris, Suresh Vittal, and Zachary Reiss-Davis. Forrester Research. September 22, 2009.