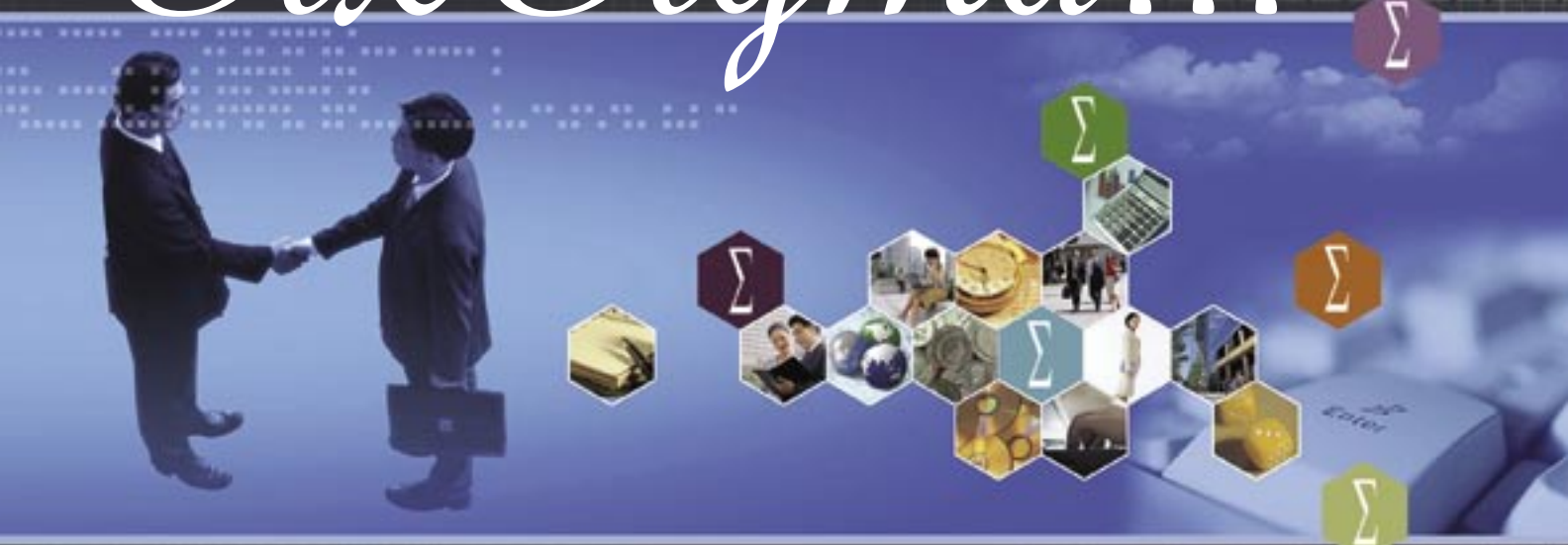
What is *Six Sigma*...



...and Why Should Marketing and Sales Managers Care?

Six Sigma is a funny name for a serious way of boosting marketing and sales performance. It's already transformed manufacturing in hundreds of companies, and it is now doing the same in marketing and sales for companies such as Bank of America, Dell, General Electric, HSBC, Service Master, Johnson & Johnson, Standard Register, Sun Microsystems, Xerox, and many more.

by Michael J. Webb

To apply Six Sigma to marketing and sales in your company, you'll probably need to think in new ways. With Six Sigma, you base decisions on measurement and analysis of activities and results, then improve the activities to improve the results. Believe it or not, that's generally not how marketing and sales are now managed (with one exception, which I'll discuss).

This article explains the basics of applying Six Sigma to marketing and sales. As it turns out, Six Sigma practitioners have the same goal as marketers and sellers: to find more profitable ways of giving customers what they want.

CREATING VALUE

We all know that good marketing and selling gets other people to take the actions we want them to take. The challenge is in figuring out how to do it better.

The way to get other people to take actions is to show them the value to themselves or their company. Whether you do it in person, over the phone, in a letter, in a newspaper, on the radio, or with a webpage, it makes no difference. Prospects and customers need communications in all those ways and more.

Unfortunately, innumerable variables make marketing and selling challenging. For example, some direct mail campaigns generate a 1% return, others generate 1.5%; some salespeople close 20% of their deals, others close 30%. Wouldn't you like to know why some mailings get a 50% greater response rate and why some salespeople have a 50% higher close ratio?

Six Sigma helps to identify the causes of variations like these so you can make better decisions on what needs to be changed.

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IS THIS GREEK TO YOU?

In statistics, the Greek letter "S" (sigma) is a measure of variation. In business, Six Sigma is a measure of quality: 3.4 defects per one million events, with a "defect" defined as a variation from the desired outcome. In any language, 3.4 defects per million is an astonishingly low rate of error. (One sigma would be variations in 70% of the outcomes!)

The focus on measurement distinguishes Six Sigma from other kinds of process improvement. Six Sigma gives you a method for analyzing sales activities and characteristics (the "input variables") to learn what's causing variation in your marketing and sales results.

Direct marketers (the one exception I mentioned) have been doing this for decades. Split testing shows them which variable—the headline, sales copy, color of the envelope, day of the week, or use of a stamp versus metered postage—caused variations in response rates. Then they employ the variables that produce the best results.

Six Sigma enables you to apply that kind of thinking to your marketing and sales process, whatever it may be. Of course, sales processes never approach 3.4 defects per million, which is near perfection. However, marketing and sales can be managed far more scientifically than they usually are.

THE SCIENCE OF SIX SIGMA

The "science" of Six Sigma resides in its reliance on two things: measurement of activities and results, and a rigorous approach.

Measurement of activities and results is rare in marketing and sales. Yes, managers have reams of data on monthly and quarterly sales, period-over-period sales, and sales against quota. But those are only measures of final results, not interim results along with the activities and other variables that produced the results.

> *"MARKETING AND SALES CAN BE MANAGED FAR MORE SCIENTIFICALLY"*

The variables determining sales results include the quality of leads (a real biggie), the presence or absence of gatekeepers and coaches, and the quality of presentations and proposals, to name a few. Without data on these variables, you really don't know what needs improving. That leaves sales managers with the usual, uncertain fixes of sales training, hiring or firing people, tweaking the incentive plan, installing CRM software, and so on. Six Sigma enables you instead to learn what, exactly, needs improvement.

Six Sigma's rigorous approach comprises fives steps, known as DMAIC (de may' ik):

- Define the problem (defect) and the process in a precise way (whether you're examining the entire sales process or one part of it, such as generating leads)
- Measure the activities and the results (being careful to clarify exactly what you are measuring)

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> *"IF YOU IMPROVE THE MARKETING AND SALES PROCESS, YOU WILL IMPROVE THE RESULTS THAT PEOPLE WORKING IN THAT PROCESS PRODUCE"*

• Analyze data (from the measurement step) for variations in the results and the activities that produced them, looking for cause-and-effect relationships
• Improve the process by forming a theory of how to change the activities to improve the results, then make that change to test your theory
• Control the process to achieve future gains (if your theory proves correct) by making the change permanent.

While the basic steps are straightforward, it takes experience to execute them successfully. Individuals who have achieved basic competency in the technique are designated as Green Belts. Those with higher competency are Black Belts or Master Black Belts.

A CASE IN POINT

Six Sigma projects can range from a complete redesign of an end-to-end sales process to SWAT-style interventions for specific problems. However, good Six Sigma practitioners never aim to implement a predetermined solution. Instead, they start with a problem, gather and analyze data, and then develop and implement a solution.

A Web-based lead generation process provides a good example: Visitors to a software company's website downloaded whitepapers and demonstration copies over 200,000 times per year. Each time a lead was sent to the company's call center. The CEO was frustrated with the low conversion of those leads to orders (well under 1%).

It took some work to define the problem correctly. Like most companies, they had simply launched an informative website and left the rest up to the visitors. One clue was that 28% of the leads had bogus contact information (Mickey Mouse and Richard Nixon were frequent visitors). In order to measure more effectively, they needed to map their process. This involved analyzing why people would take an action. Immediately, they saw a problem. They didn't know why all those people were visiting the site, because the site had been designed around their product instead of the prospect's or customer's purpose.

They researched the "Voice of the Customer" by conducting surveys and interviews. In Six Sigma parlance, they were learning what was "Critical to Quality". This enabled them to improve the site so various types of visitors could gain what they wanted more easily. People seeking product information were channeled to the sales call center. Those seeking free training and technical information were channeled away from it. Thus the company gained control of the variations. The quality of leads skyrocketed. The close ratio increased. The cost of sales declined.

GET SALES DOWN TO A SCIENCE

Whether you are managing market research, advertising, product development, brand positioning, or million dollar salespeople, Six Sigma and other process improvement tools provide new ways to address perennial sales problems. Of course, Six Sigma projects often get more complicated than this, but the logic is unassailable: If you improve the marketing and sales process, you will improve the results that people working in that process produce.

Best of all, companies are proving that this works.

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