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SIX SIGMA IN SALES & MARKETING

A CASE STUDY OF INCREMENT IN CONVERSION RATE AND APPLYING SIX
SIGMA TO MARKETING TO GROW REVENUE

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E-SIX SIGMA

a venture of sAvh Quality Solutions (Pune)



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Introduction

Six Sigma is world-wide renowned quality improvement methodology that mainly works on removing defects from the products, services and the processes across the sectors.

It was invented in 1980's at Motorola company. In its initial application, Six Sigma was limited to Manufacturing & Production industries however with its increasing popularity, it spread to all other sectors.

Today, Six Sigma is considered one of the prominent methods for Quality Management and being used by over 90% of Fortune 500 companies. Almost all National and Multi-National companies use Six Sigma in some or the other way.

Six Sigma has four key levels of expertise identified as-

- Six Sigma Yellow Belt
- Six Sigma Green Belt
- Six Sigma Black Belt
- Six Sigma Master Black Belt

Every level of expertise has its own roles & responsibilities in Six Sigma Project Implementation and generally lead by a Master Black Belt.

When integrated with Lean, which is, in simple words, a waste removal method, Six Sigma becomes Lean Six Sigma.

e-Six Sigma (www.esixsigma.in)

e-Six Sigma is a cloud-based Six Sigma Training & Certification Platform accredited by 'Council for Six Sigma Certification (USA)'. CSSC operates in over 165 countries across the world.

It has won a National Award for 'Best Online Six Sigma Training & Certification Platform in India 2017' by India Education Awards.

e-Six Sigma is being loved for its unique value of providing 'practical knowledge' through AWYL i.e. 'Apply What You Learn' activities which are meant to free your hands on the key topics being taught in the chapter (the curriculum for Six Sigma Green Belt is divided into 14 distinct chapters).

It is a brand of sAvh Quality Solutions, a sister concern of sAvh Technologies Pvt Ltd, an ISO 9001-2008 certified company based in Pune, India. sAvh is a venture by IIM-Alumnus & Ex-Infosys Employee.

sAvh has trained over 1800 students and professionals on Six Sigma.

Six Sigma and Sales & Marketing

This article explains the basics of applying Six Sigma to marketing and sales. As it turns out, Six Sigma Professionals have the same goal as Marketers and Sellers- to find more profitable ways of giving customers what they want by 'Creating Value' for the customers.

Six Sigma has already transformed manufacturing in thousands of companies and it is now doing the same in Sales & Marketing in companies such as Amazon, Flipkart, JIO, HSBC, Johnson & Johnson, TATA, Xerox, Dell and many more.

We all know that good marketing and selling gets other people to take the actions we want them to take. 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 makes no difference. Prospects and customers need communications in all those ways and more.

Unfortunately, innumerable variables make Selling & Marketing 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.

Six Sigma gives you a method for analysing sales activities and characteristics (the "input variables") to learn what's causing variation in your marketing and sales results. Direct Marketers 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.

The variables determining Sales results include the quality of leads, the presence or absence of gatekeepers and coaches, and the quality of presentations and proposals, to name a few. Without data on these variables, one really can't get to 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.

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

Case 1: Increment in Conversion Rate of Web Visits into Placing Orders

A Bangalore-based e-Commerce company is one of the great examples of use of Six Sigma in Sales & Marketing aspect.

The company adopted a simple Marketing Model with an aim to drive the traffic to the website, generating leads and then convert them into the deals.

In its initial business operations, the visitors visited the website, explore the products showcased, initiate the purchase cycle but the most of them jumped out of the website without placing the orders.

The conversion rate of the visits into the orders was very low (under 1%). On the other hand, the company was spending millions of dollars on advertising on all the available channels, traditional & modern. At the same time, the closest competitor was building the challenge along with the domain-specified, comparatively smaller players were stealing the show to a significant extent. The CEO was frustrated with the low conversion rates.

It took some work to define the problem correctly. Like most companies, they had simply launched a 'regular' e-commerce portal displaying products categories, sub-categories, information, pricing & offers. However, nothing was new or creative or something to keep the visitor's interest alive was absent.

Another clue was most of the people visits the website just to browse the products & compare with the rivals on pricing (overlooking the value being offered through the company's differentiators).

In order to measure more effectively, they needed to map their process. This involved analysing why visitor would take an action (placing an order). Immediately, they saw a problem. They didn't know why all those visitors were visiting the website because the site had been designed around their product instead 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' i.e. CTQs).

This enabled them to improve the website so various types of visitors could gain what they wanted more easily. Visitor seeking product information were channelled to the Sales Call Centres. Those seeking free training and technical information were channelled away from it. Thus the company gained control of the variations using different Six Sigma Tools & Techniques. The quality of leads skyrocketed. The conversion ratio increased. The cost of sales declined.

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.

Now, the company is the biggest e-Commerce company in India.

Case 2: Applying Six Sigma to Marketing to grow Revenue

In their 2006 book, *Six Sigma for Marketing Processes: An Overview for Marketing Executives, Leaders, and Managers*, the authors- Clyde M. Creveling, Lynne Hambleton & Burke McCarthy wrote that-
"Nearly half of the top one hundred Fortune 500 companies use Six Sigma methodology in some part of their business." They found that 70 of the top 100 companies have been in the top 100 for five or more years and that 63% or 44 of these 70 companies implement Six Sigma to some degree. In their analysis they found that these 44 Six Sigma users report on average 49% higher profits (compounded annually) and 2% higher Compounded Annual Growth Revenue (CAGR) than their peers.'

This article highlights the way on how one can apply Six Sigma to Sales & Marketing in order to achieve their Revenue Targets.

Six Sigma enables companies to improve the marketing's strategic, tactical and operational processes as a way to enhance the top line to drive revenue. By applying Six Sigma to marketing one can develop a lean efficient marketing workflow, identify leading indicators of growth and become proactive about performance improvement.

Measurement of performance is one of the five fundamental phases in the Six Sigma methodology (**DMAIC** & **DMADV**). Once you begin measuring marketing performance, one can begin to make modifications and improvements. Six Sigma provides both a methodology for process improvement and a way to prove its value. These additions are above and beyond the 'traditional' Six Sigma approach to cost reduction.

Let's consider how we can apply the DMAIC process to marketing to grow revenue.

1. Define Phase:

The role of marketing is to create predictable streams of revenue growth by enabling the organization to profitably identify and secure new customers and to keep and grow the value of these customers. Therefore, a key ingredient in this step is for marketing to establish goals and deliverables designed to achieve these three outcomes.

This will require most organizations to broaden the role of marketing beyond sales support and/or marketing communications. To fully realize these three outcomes, marketing will need to provide a broader more strategic role. As a result, the various marketing functions will need to be integrated to create a comprehensive and integrated work flow process. This integrated workflow process will then need to be mapped.

Once these three elements are completed, new metrics that tie marketing to the business outcomes must be defined and standardized across the marketing organization for the purpose of providing insight into performance and facilitating strategic decisions. Typically, it will become apparent that new analytical and process-oriented skills will be needed among the marketing personnel.

2. Measure Phase

There is no escaping the fact that to be successful in measurement marketing will need data. Without data, performance cannot be measured and improvements cannot be made.

Marketing needs to have access to data about its efforts and expenditures. Marketing will need to have a collaborative relationship with finance, sales, and customer service because these organizations are often the keepers of critical data related to performance and outcomes. Marketing will also need to deploy tools and systems for capturing and monitoring data. During this step, the team will need to make key decisions related to the data including: how it will be managed, how it will be shared, and what processes will be used for evaluation.

The first step in measuring and improving performance is to determine what data exists, where that data is, what data is needed, and how to obtain the data. Customer purchase activity, marketing program results and conversion rates, actual costs for programs and people, lead quality data and lead cost, win/loss ratios, and defections that occur in the buying process are examples of some of the data that will be needed. Once the metrics are defined, the team should use the data to establish a baseline of past expense and performance.

Measurement suggests that current and future performance is being compared to past performance. Being able to establish a benchmark using past data is an important step that eludes most marketing organizations because of the lack of quality data. It may take considerable efforts to establish the initial data points but this step is essential to the process.

The metrics should be defined not just in terms of the cost but in terms of how these investments contributed to the company's ability to achieve its goals and generate profitable revenue. The marketing metrics are contingent upon knowing the business outcomes. It is imperative that the business outcomes be clarified and specified before the marketing metrics are established.

Business outcomes for example may be related to the specific number of customers to be acquired and at what cost, the specific rate of customer acquisition, the specific lifetime value of a customer, customer loyalty, and specifically how quickly customers adopt new products. By knowing the business outcomes, marketing knows what objectives it needs to achieve and within what parameters.

Marketing can now establish the metrics, the performance targets and processes, and measure its performance. Tying marketing metrics to business outcomes forces marketing to transform from a transactional function to a strategic contributor.

3. Analyse Phase

Simply measuring performance will not make it improve. Performance improvement results from deriving insight through the analysis of the data. By analysing the data and understanding what it means, marketing can determine the degree of impact it is having on the organization, and redesign processes that will improve performance. Creating a dashboard of key business initiatives can help process the data and make it easier to visualize both the impact and opportunities for improvement.

Analysing marketing performance and processes have impact beyond the marketing organization. The analysis may yield information that will impact sales, product development, customer service, accounting, and IT. Marketing exists as a component within the overall company organizational system and changes to this part of the system can serve as a catalyst for changes to another part of the business system. Analysis leads right into the improve step.

4. Improve Phase

The main purpose of applying Six Sigma to marketing is to determine how to improve performance and processes.

Data analysis should result in valuable insights that generate possibilities for improvement. These possibilities for improvement can include enhancements in tools, systems, processes, and skills. A performance-driven marketing organization welcomes opportunities for improvement. Even though change is disruptive, developing new ways to approach the market enables the marketing organization to play a more strategic role.

As you have probably surmised, an organization repeats the Measure-Analyse-Improve steps until the optimal processes are defined and the optimal performance is achieved. These iterated steps enable continuous improvement

5. Control Phase

Because marketing prides itself on its creativity, it has often sacrificed control. But the time has come for marketing to document its processes and best practices and to apply these consistently.

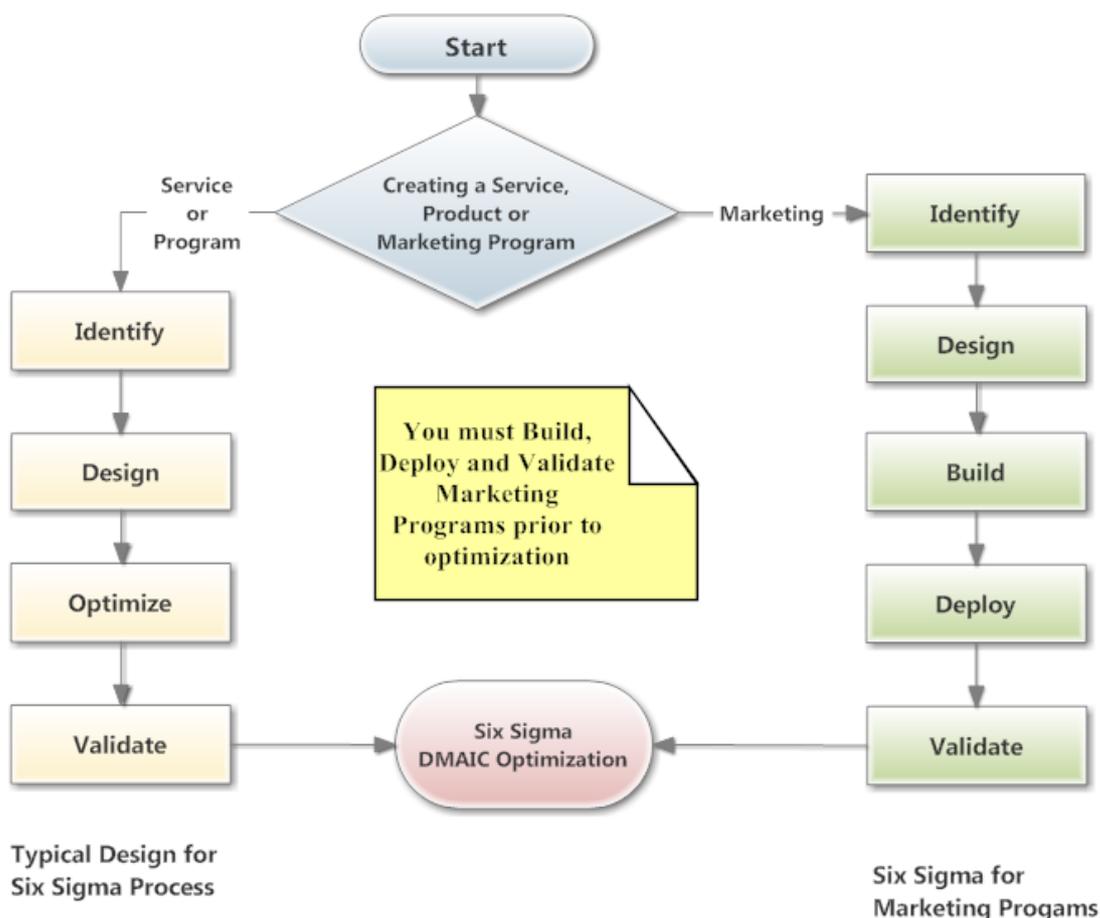
The lack of standards control will result in less than optimal marketing execution. An emerging role, marketing operations, provides the organization with a function and people responsible for ensuring that the knowledge gained through process improvement is documented and implemented. Regardless of whether your company establishes this role, it is imperative that the team establish and document the processes and ensure people adhere to them. Even if the organization established this role, everyone on the team needs to be formally trained on the processes and performance metrics. The entire team must understand how the processes enable marketing to demonstrate its value and improve its performance.

Applying Six Sigma to marketing will increase marketing's ability to deliver on market requirements, improve the efficiency and effectiveness of the marketing planning process, successfully manage marketing operations, provide transparency into marketing processes, and improve the collaboration between marketing and other groups within the business.

Marketing has a strategic role in growing revenue. For the marketing team to provide valuable contributions to business profitability they must assume a broader set of responsibilities within the company. One proven method of integrating marketing operations within overall business processes is through Six Sigma and its DMAIC methodology.

Six Sigma enables companies to improve the marketing's strategic, tactical and operational processes as a way to enhance the top line to drive revenue. Highly successful businesses that implement Six Sigma methods 'report on average 49% higher profits (compounded annually) and 2% higher Compounded Annual Growth Revenue (CAGR) than their peers'.

According to Six Sigma, the starting point for marketing and sales is not the salespeople, it is the customers. In sales, Six Sigma can be used to uncover the best ways to build and grow relationships with customers.



Training & Mentoring by e-Six Sigma

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It is a venture by IIM-Alumnus & Ex-Infosys Employee that was honoured with a National Award for 'Best Online Six Sigma Platform in India' by India Education Awards 2017.

e-Six Sigma provides state-of-the-art Virtual Infrastructure and Curriculum to learn Six Sigma at your convenience & pace to earn Globally Trusted Certification with life-time validity and Cross-Industry Applicability.

The main reason why our learners chose 'e-Six Sigma' over others, is that, we offer Practical Exposure through our Mandatory AWYL i.e. Apply What You Learn Activities and use of Real-life Examples for easy understanding.

With an extensive knowledge & experience of almost a decade in Training & Consulting, we partner with Academic Institutes, Corporates, Government Bodies & Individuals to gratify their respective Goals by empowering the way they perform.

You can learn more about its Training & Mentoring Programs at- www.eSixSigma.in.

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