
The Next Wave in Marketing Software

How to Improve Win Rate with SME

By Tim Levey

Large companies are beginning to understand the value proposition of intelligently linking sales and marketing, and how such systems will become a critical component in competing in ever-increasing, cutthroat environments. This paper details specifically how Sales and Marketing Effectiveness software can dramatically improve win rate.

Hitting the Brick Wall

In many industries today, a well-understood and growing problem exists pertaining to the interaction between sales and marketing. What is this severe disconnect? In brief, sales organizations require information from product marketing to best position themselves against competitors in a given situation. Marketing needs information from sales in order to understand market needs and preferences. Neither information requirement is being adequately fulfilled. The resulting brick wall that is encountered can, and often does, produce negative ripple effects throughout organizations, which if left unchecked, ultimately leads to a deterioration of competitive advantage. The solution: remove the brick wall with software. The key: require from sales nothing that is not in their direct best interest.

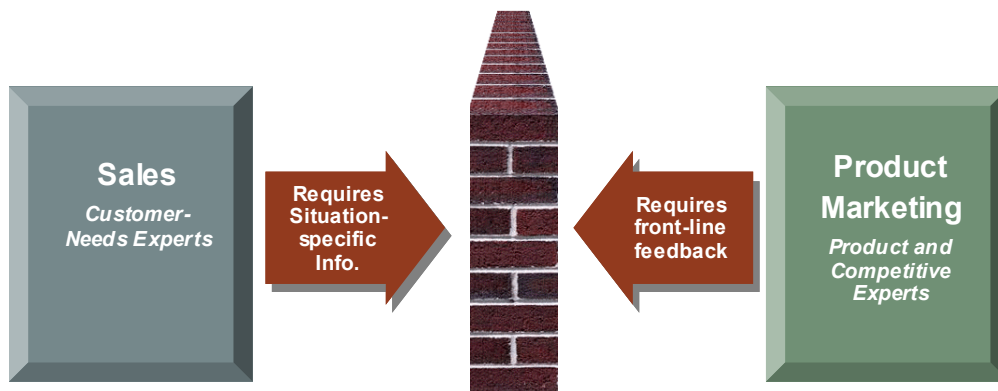


Figure 1: The sales-marketing divide

Environment set for SME expansion

Over the last several years business investment has contracted severely, creating enormous pressure for many B2B segments to more effectively compete for fewer dollars. In many segments such as technology, competition has become fiercer than at any time in recent memory. Selling costs as a percent of revenue have exploded as revenue-per-rep has precipitously declined. Further exacerbating the pain are significantly lengthened sales cycles. Yet the pace of innovation in product evolution has



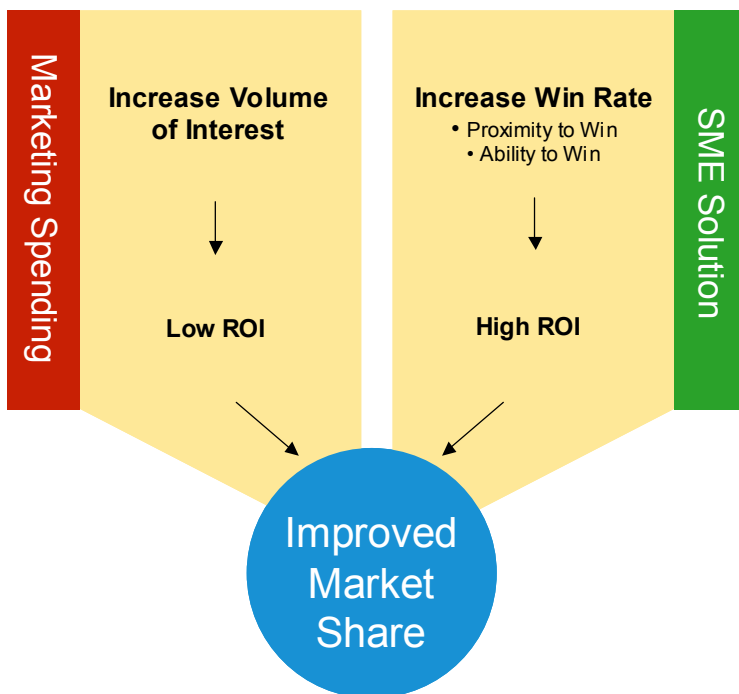
remained as frenetic as ever. Therefore, in many industries the window of opportunity is narrowing for companies to exploit new competitive advantages.

In this environment, the metric to watch is *win rate*. That is, when in a position to sell goods or services to a customer, what is the percentage success in winning against known or unknown competitors? A slight improvement in win rate can have the following positive ramifications:

- Higher revenue-per-*rep*
- Improved revenue
- Improved market share
- Decreased selling cost margin
- Improved operating margin
- Improved return on invested capital
- Improved competitive advantage

Market share can be improved by either increased marketing expenditures, or by working smarter and improving win rate. Improving win rate is the only way in which to expand market share while decreasing selling costs as a percent of revenue. Further, it

is one of the most compelling ways in which to improve return on invested capital. Therefore, where the economic environment dictates lowered hiring and constrained marketing spending, achieving higher win rate represents the greatest opportunity to enhance operating performance with a relatively small investment. The result is a most credible ROI argument.



How then is win rate improved? Win rate is a function of the interaction of three complex variables: (1) *Proximity to Win* (your front-line messaging resonates), (2) *Ability to Win* (your product is positioned to fill a need better than competitors at a given price point), and (3) *Noise Factors* (such as incumbency, relationships, politics, scale, etc.). While in some cases the third variable plays a huge role, in most

Figure 2: Win rate's impact on market share

cases it does not enter into the equation until after the first two variables are satisfied. It should be pointed out that *Proximity to Win* is not the ability to generate leads, although a case can be made that effective messaging improves an organization's lead generation efforts and their sales funnel. The distinction, however, is significant. Lead generation does not improve *Proximity to Win*; rather it helps *Volume of Interest*.



Proximity to Win is related directly to sales enablement; that is, front-line ability to effectively deliver compelling value propositions in given scenarios. SME software can have a direct impact on the first two components of win rate. Specifically, front-line messaging is improved creating greater *Proximity to Win*, and product positioning is improved creating greater *Ability to Win*.

The stage appears to be set for more and more companies turning their attention to solutions that directly impact win rate. Investment has begun to accelerate. Those companies who are investing in SME solutions see two primary opportunities, (1) the possibility to emerge out of the current economic slow-down in a much stronger competitive position, and (2) improve sales people's ability to better position themselves to compete in the current difficult environment.

Previous Waves of Enterprise Software

As client-server technologies surfaced in the early nineties, followed by the recent emergence of web technologies, several waves of enterprise software have proved valuable in dramatically improving productivity and streamlining processes. As a result of these investments in software, productivity increases have soared. This has contributed to low inflationary pressure despite periods of high growth. In general, four major waves of software have developed into huge industries in a very short period of time. SME, we believe, will be the fifth major category. At a high level, the four categories are as follows:

- **ERP:** The most mature of the four waves, the Enterprise Resource Planning segment includes all those software areas that have a direct impact on managing back-office operations, with the exception of supply chain management. These include accounting, human resources, plant management, procurement, and distribution and logistics, among others. ERP systems have developed into must-haves in order for corporations to generate acceptable return on equity for shareholders. ERP systems, however, do nothing in the area of enhancing organizations' *Proximity to Win* or *Ability to Win*.
- **KM:** Knowledge Management, as defined broadly here, includes those segments that aim to improve an organization's ability to manage knowledge assets, including document management and digital asset management. In addition, the segments generally referred to as business intelligence and data mining would fall into this broad categorization, because these solutions seek to derive *knowledge* from "mining" existing databases and discover trends that can be used in decision-making. While KM organizes and in some cases produces knowledge, it doesn't have a direct impact on win rate.
- **SCM:** While clearly a back office software application, Supply Chain Management software has distinguished itself from the general ERP category and has become known through numerous pure-play suppliers. At a high level, SCM helps companies manage the flow of raw materials from multiple suppliers in order to optimize the supply chain as it relates to customer demand. With



SCM implemented, inventory costs are controlled, and manufacturing capacity optimized. SCM, while a valuable tool, does not improve win rate.

- **CRM:** A category that has experienced a continually expanded definition, Customer Relationship Management includes Sales Force Automation (SFA), Customer Service software, Marketing Automation (MA), and e-commerce applications. CRM also includes software that assists in order management, such as configuration management software. CRM, therefore, spans the customer interaction value chain from campaign management, to lead generation, to contact management, to pipeline management, to order management, to post-sales support, to post-sales analysis. While a comprehensive set of value is represented in this chain of automation and process improvement, recently CRM as a category has been experiencing a slow-down and maturation process similar to what the ERP and KM groups experienced previously. Implementation cycles, ROI assumptions, and cost have been questioned and reconsidered. Nevertheless, this category will survive and thrive as a mature industry.

Central to the questions surrounding CRM is the key SFA solution set, which requires extensive interaction by sales people but which does not satisfy core sales needs from a sales person's perspective. Many believe that the value of basic contact and deal management is far outweighed by the onerous time-consuming inputs necessary for management reporting and tracking. As a result, a backlash has occurred in many sales groups because they have been left out, in their estimation, as a true beneficiary. CRM functionality today does little-to-nothing for the most critical aspect of a sales person's set of needs. Sales people demand one basic (yet elusive) feature: "Help me win!" CRM cannot, because of its inherent structure, help improve *Proximity to Win* and *Ability to Win*.

Problems Left Unsolved

Previous waves of enterprise software have touched practically every functional area within the enterprise. However, significant problem areas remain. One of the most well understood elements of continued difficulty is the linkage between product groups (typically product marketing or product management) and sales groups. The issues surrounding this linkage problem have been well researched by Frank Cespedes of Harvard University as well as Aberdeen Group, and now organizations are beginning to take heed of the findings: sales-marketing misalignment kills win rate.

The linkage concern is comprised of three major areas that the SME category addresses, but which have not been adequately solved by previous waves. As shown in Figure 3, these key interrelated components include the ability to facilitate and impact (within software) an organization's 1) competitive positioning, 2) message management, and 3) frontline feedback. Win rate, the chief metric of value that binds sales and product marketing, is directly impacted by these three building blocks. Those vendors that can solve all three simultaneously will emerge to lead the SME space. In particular, vendors that have developed a data structure and theory that facilitates close



interactions of these components will likely solve the whole linkage problem, not just a subset.

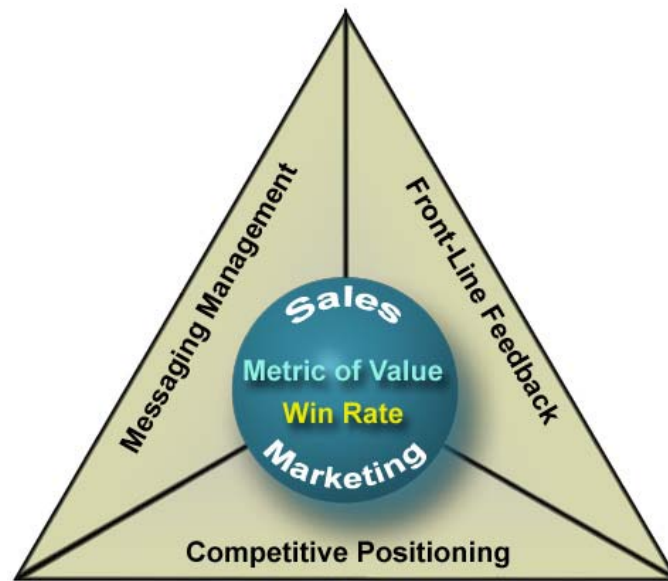


Figure 3: Three components of SME

Competitive Positioning- *Current Practices*

Foremost in the minds of most marketing and product management people is determining the best way in which to position their products against competitors. While positioning must be determined by a careful segmentation of market need compared with current competitive offerings, the most difficult piece of the puzzle is placing the information in the hands of sales people precisely when they require it. This just-in-time positioning is not available for sales organizations today primarily because systems have not been deployed to facilitate this key capability. In fact, product marketing organizations are in many cases isolated from the front-line, especially from the perspective of sales people. The primary, yet fraying linkage is through written collateral pieces. Numerous surveys, however, have shown that collateral does little in helping sales people position themselves in a particular situation.



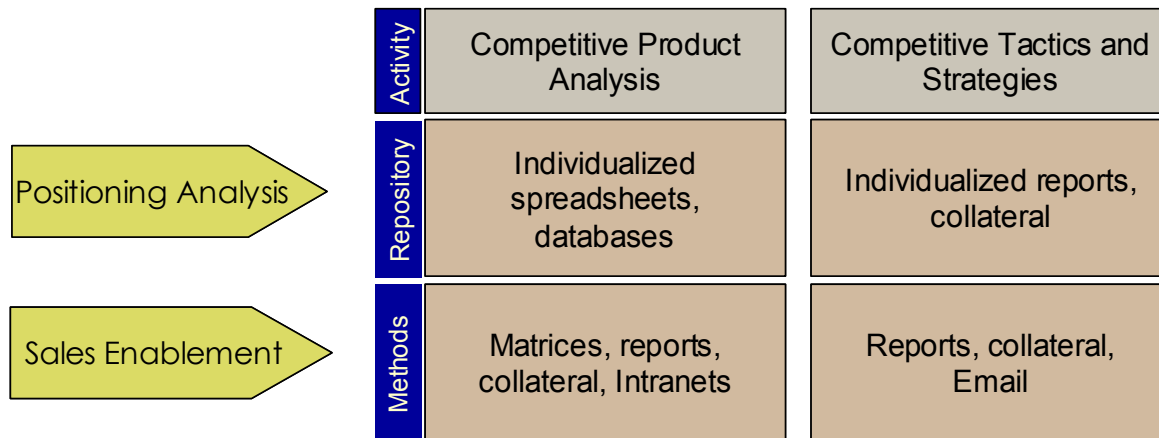


Figure 4: Competitive Positioning: Inadequate Tools

What then is required of marketing in the area of competitive positioning, and what are the tools available to achieve it? As shown in Figure 4, the two primary goals of the marketer in terms of positioning are (1) determine effective positioning strategies against each competitor, and (2) enable sales people with that knowledge. In order to accomplish these two objectives, the marketer must analyze a significant amount of competitive data and understand detailed product strengths and weaknesses. The marketer must wade through myriad scraps of news, channel chatter, customer input, vaporware announcements, pricing, press and analyst perspectives, and other bits and pieces of market data. The marketer must sort out the market noise from the golden nugget, fact from fiction, competitive differentiators from nice-to-haves, and then construct and synthesize from the many pieces of information the proper product positioning. Then, having done the easy part, the effective marketer must take it to the next level: successfully deploy the positioning information on the front-line and use it to improve win rate.

Unfortunately, in order to perform this formidable task, marketers today are limited to tools that consist primarily of standard desktop-based software. They utilize spreadsheets like Microsoft Excel to compare products and build matrices, PowerPoint to create positioning presentations, Word to write a detailed competitive report, and email to blast competitive updates. No tool is available to catalog, collect or track all the information needed to fully analyze and capitalize on the holes in the market or minimize market blind spots. Further, no effective dissemination capability exists that delivers product positioning information in a format sales people can use in a specific scenario.

For many organizations, ripe fields of expertise and knowledge exist but with no means by which to harvest them. Marketing professionals provide what they believe is accessibility to their competitive knowledge. Various reports, collateral, competitive product information and presentations are routinely published onto corporate intranets for sales consumption. Yet one of the biggest complaints of sales people is that they can't find the information they need to compete, and it is not specific to their situation.

Fundamental Limitations

Current methodologies used to accomplish formulation and dissemination of competitive positioning is simply limited by the fact that unsatisfactory tools exist. These include the following major limitations:

- No Common Repository:** Information is stored in disparate silos – reports, file folders, spreadsheets, databases, intranets, emails, etc. In many cases, organizations believe that competitive product data is unavailable when in fact it is, just scattered in various files and reports. Further, there exists no common structure or meta data with which to attach content. That is, sales and marketing speak essentially the same language – the language of the industry – yet the available repositories are not structured around this complete nomenclature. In order to easily catalog and access information, a full taxonomy is needed representing the entire competitive and sales environment.
- Format Difficult for Sales Consumption:** Given the lack of structure and taxonomy, it is impossible using current tools to provide sales people situation-specific competitive positioning. In other words, “I need the best way to position my products in this vertical, in this specific customer environment, when this competitor is present.”

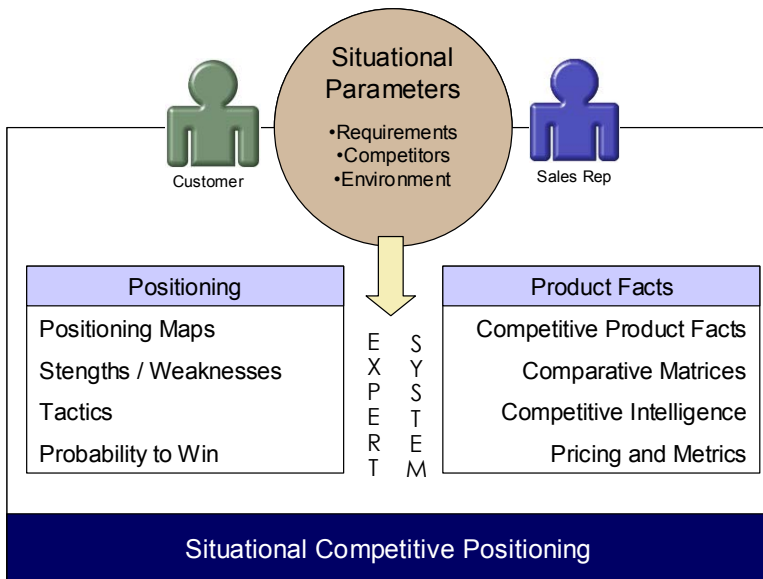


Figure 5: Competitive Positioning Framework

In addition, “I need to know what products to recommend in this particular scenario.” Further, “A new competitor just turned up, and is touting a specific product feature benefit; how do I combat this?” In order to address these specific issues, sales people are asked to plow through lengthy reports or data that contain pieces of the positioning information, but that may be buried or difficult to find. What is needed? A competitive war room accessible within software. What if the framework shown in Figure 5 was available for sales people?

- Analysis Tools Unavailable:** Another severe limitation brought on by lack of structure, is the inability to automate analysis. This includes both competitive product feature-function-benefit analysis, as well as competitive pricing analysis. Today, marketers are limited to Excel spreadsheets, which cannot easily be used to discover, compare and contrast distinct elements of the competitive landscape.



Message Management – Current Methodologies

The ability to deliver situational messaging to the front line directly impacts win rate by improving an organization's *Proximity to Win*. Marketers use a number of methodologies designed to create consistent and effective messaging; the true challenge, however, is providing this messaging in a format that is most impactful at the interface of rep and prospect. How does the marketer satisfy two critical sales requirements: (1) providing messaging at the micro level in order to assist reps with a specific situation, and (2) making the messaging easily available and accessible?

It starts with collateral pieces, including presentations, value propositions, white papers, case studies, product literature, as well as web-related material. However, sales people complain incessantly that these pieces are too generic in nature and are often not up-to-date. In fact, recent research by Aberdeen highlights the magnitude of this criticism:

- *80% of investment in marketing material is wasted because it is not effectively used by sales people.*
- *40 to 60 hours of a salesperson's month are taken up by recreating customer-relevant collateral.*

In the field, sales people are confronted with an array of situations where standard messaging just does not apply. For example, what is the proven messaging approach when talking with the CIO in the banking sector versus the CFO in the telecom sector? What if this scenario also carries additional dimensions of complexity: the CIO, the banking sector, and an Oracle back-end database environment? How do you message to that set of circumstances? In most cases, sales people come up with extemporaneous messaging for extemporaneous situations. This one-off messaging is often inconsistent with or contrary to corporate messaging priorities and strategies.

Generic messaging and collateral may work somewhat better in inside sales applications where lead generation is the goal. However, when *winning* is the goal, generic messaging can only take you so far. An optimal value proposition exists for a specific scenario. The key is making it available based on the scenario encountered. Today, marketers utilize selling tools such as standard Q&A, objection handling, and scripting, but what sales people require is Q&A and objection handling where specific situational parameters are present, for example, the CIO running Oracle in the banking sector.



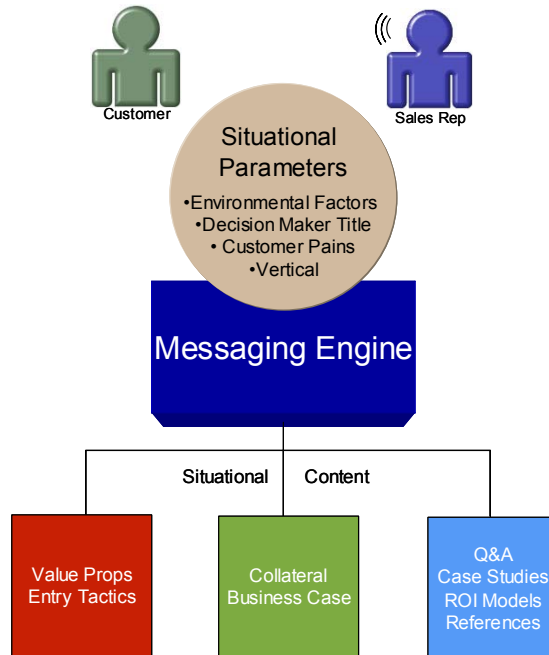


Figure 6: Messaging Engine Framework

Sales management and marketing also employ sales training on products, competition and value propositions. While valuable, from the sales rep's perspective, training is sometimes viewed as expendable, untimely, generic, and not revenue-producing. Training, to be effective, must be (1) a continuous building and re-enforcement process (or it is forgotten), and (2) directly applicable and useable in current commission-generating opportunities. For existing products, the ideal training would consist of daily coaching and mentoring by a superstar sales person. For new product launches, it would consist of daily coaching and mentoring by a product and market expert, typically product marketing. Can these ongoing coaching methodologies be created in a software environment? Shown in Figure 6 is an SME messaging framework that does just that.

Frontline Feedback

If anything can be learned from the experience of SFA implementations, it is the following:

- *The majority of sales people will not provide feedback through any formal system.*
- *Sales people will resist any activity that does not directly impact win rate.*

From numerous surveys it is clear that sales people have informational needs, and it is unambiguous as to what those informational needs include. It is also clear that sales people are consumers of information (consider the success of services like Hoovers). However, a system that *requires* input from sales to be successful, or which provides



nothing in return for the required input, will struggle with adoption issues. SME solutions as a whole are architected with this reality in mind.

Feedback mechanisms within organizations today consist of three separate departmental activities designed to provide the same basic view into the market. While the value of feedback structures is recognized within both sales and marketing, there exist different ideas between these groups as to how to go about it. As a result, three distinct feedback procedures occur: (1) feedback within the sales group only, (2) feedback within the marketing group only, and (3) feedback from sales to marketing. Shown in Figure 7 below are these various means of collection, and the related issues.

	Sales - Only	Marketing- Only	Sales-to-Marketing
Methodologies	<ol style="list-style-type: none"> 1. Debrief sessions 2. Account reviews 3. SFA notes 4. Win/loss analysis 	<ol style="list-style-type: none"> 1. Customer visits 2. Customer surveys 3. Product review sessions 4. Win/loss analysis 	<ol style="list-style-type: none"> 1. Emails 2. Phone calls 3. Requests for info.
Positives	<ul style="list-style-type: none"> • Creation of sales tactics 	<ul style="list-style-type: none"> • Quantified • Product direction 	
Negatives	<ul style="list-style-type: none"> • Sales resistance • Anecdotal, not quantified • Unusable for marketing • Inability to see major trends • Lack of repository for future use 	<ul style="list-style-type: none"> • Sporadic • Not timely • No leverage for sales • No centralized repository 	<ul style="list-style-type: none"> • Random • Difficult to capture • Not quantified • Individualized • Lack of repository

Figure 7: Front-line feedback – current methodologies

All of these various methods of feedback have appropriate uses yet suffer from numerous weaknesses. Given the many methodologies and departmental strategies, seldom does there exist a single view of the market, where it is or where it is going. Nor is there a single point of contact or repository from which to draw conclusions. One of the more significant drawbacks of the first two major approaches is the fact that they are departmentalized and not useful to the other department. However, the sales-to-marketing feedback loop, arguably the most important and valuable, is either entirely absent or severely broken.

The quandary then becomes this: how do organizations improve their sales-to-marketing feedback linkages when sales people are resistant to participate?

Three Problems: One Software Category

The core of the three problems discussed above is easily identified and understood. Benson P. Shapiro of Harvard University succinctly puts it this way: “If marketing and sales do not cooperate, the company's strategy will be inconsistent and weak.” Sales and marketing while inseparably linked in theory, are in many cases inexplicably divided



in practice. In more extreme cases, they are at total odds with each other. The root of the problem is informational in nature and solvable with software and methodology adjustments. The key is in understanding the commonalities between competitive positioning, message management and frontline feedback.

At the heart of the similarities are a set of market variables that are of equal importance to both sales and marketing. For sales people, it's not just about the customer relationship in a vacuum, but rather a relationship built on a keen understanding of the these factors. Likewise, marketing must understand these variables as they relate to the materials needed to help enable the sales organization.

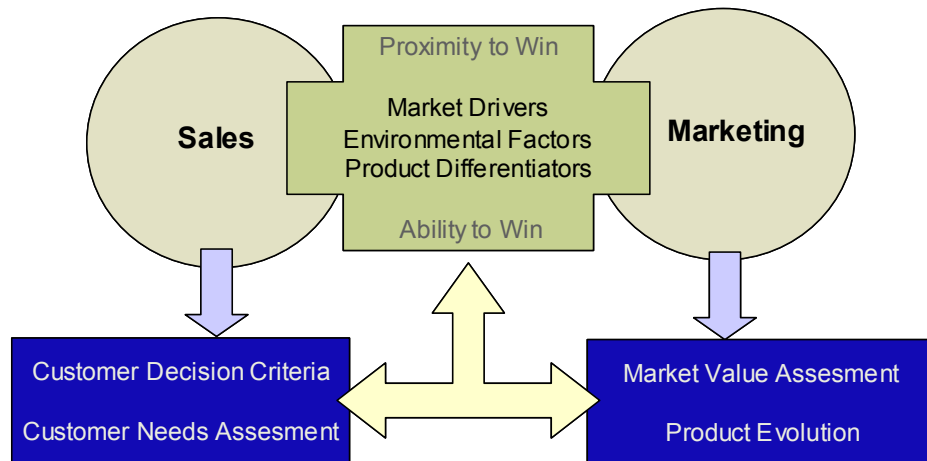


Figure 8: The shared value variables

- Market Drivers:** *For sales reps*, an understanding of customer decision criteria and who influences them is a key activity in the sales process. Customer requirements, customer needs and customer pains are paramount to the rep and relate directly to how the account is handled and approached. In fact, the value proposition employed is routinely adjusted for these elements of the micro situation. *For marketing organizations*, the same variables are important, but for slightly different reasons. Marketers see them as market drivers. That is, how does the market define value, and to what extent are specific factors important at the macro level. Therefore, these variables relate to the marketer's world: product positioning, company messaging, and product development.
- Environmental Factors:** *For sales reps*, it's the environmental variables regarding which they have immediate knowledge. Variables include vertical or market segment, decision-maker title, customer environmental issues (e.g. existing systems in place, etc.), and preferences. An understanding of the context into which a sales rep sells will dictate both customer needs assessment as well as ultimate product selection. *For marketing*, these factors relate directly to how the organization segments the market and provides messaging.



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- **Product Differentiators:** Even in organizations that emphasize solution selling, most marketers understand the reality that in competitive battles, decisions are made on the basis of product differentiators. *For sales*, properly positioning a capability or feature benefit can make the difference between winning and losing. *For marketing and product management*, these product-centric factors are also important in aligning product development priorities with the market.

Within a given industry, the complex interaction of these variables can be overwhelming. Not only are they numerous, but they are varied by customer encounter. The number of potential factors at play within an industry is finite, though, and can be understood in the context of the competitive landscape. However, without a system in place that puts the variables within a cohesive structure, true situational positioning and messaging cannot occur. Similar to the way in which SCM software creates a model of the supply chain, SME solutions that model the marketing landscape can create significant leverage points and effectively “tie” sales and marketing via the common model.

Changing B2B Dynamics – Market Drivers

Without such a system in place, who has the most to lose? In short, any company in highly competitive environments having rapid change, market complexity, high-value products or numerous competitors is challenged with the scope of these issues. Of particular concern should be those B2B companies whose industries are characterized by both (1) long, competitive sales cycles, and (2) short product cycles. In such unenviable environments, high win rate is not only vital, it is subject to temporal influences that make it difficult to regain once lost. In other words, those companies that have nominal windows of opportunity to capture market share, combined with complex selling environments, lose competitive advantage exponentially if win rate is low.

Strained Selling Environments

Myriad companies and numerous industry sectors must contend with this reality. Sales cycles for high value products are lengthening due to forces beyond the control of the sales force. New corporate trends are emerging and buying patterns are changing. For example, in many segments committee buying and executive involvement is on the rise, combined with an increase in partner-based selling. Both lead to more people involved in the buying process, which leads to greater number of requirement changes, which naturally leads to a protracted sales cycle. In addition, current capital budget constraints result in delayed procurement decisions, which leads to additional competitors in the fray, which thereby lengthens and intensifies sales cycles.

Combine these selling realities with short product cycles and investment in SME solutions becomes easy to justify. In many industries, product cycles continue to compress in a spiral-like fashion. Driven first by improvements in technology and manufacturing, then by intensified competition, followed by increased customization, the vicious cycle produces an inexorable slide in product cycles. In such an environment, where only limited time is available to exploit micro competitive advantages, the last thing a company needs to deal with is a long arduous sales cycle. Yet, for many



industries, this is the reality. These sets of issues represent the market drivers for more organizations focusing on win rate, which will result in a new attention paid to SME solutions.

Acute Problem Sectors

Many sectors experience one or more of the above issues. However, the most acute problem sectors are those that experience most or all of them. Industries such as technology, medical devices, financial services, telecom, and pharmaceuticals are focus areas for SME vendors. Many of these industries were profiled in a comprehensive research study on sales/marketing linkage problems by Harvard professor Frank Cespedes. Cespedes' four-year study and two books showed significant linkage problems in technology, medical devices, telecom, and consumer durables.¹

Market Drivers in Place

In these industries and others, the need to effectively compete has never been higher, because the cost of low win rate has never been higher. Staggering costs of direct sales, product development and product launches, as well as high product failure rates are further exacerbated by a struggling economy. Because winning business has never been more difficult in B2B segments, companies must focus on ways to improve their win rates without additional hiring or expanded marketing budgets. As such, the market will be seeded by this confluence of factors. For many companies, SME Software is the answer.

Tim Levey is the CEO of the Promere Software, Inc., a leader in marketing and sales effectiveness software. Learn more at <http://www.promere.com>

¹ *Concurrent Marketing: Integrating Product, Sales, and Service* (Harvard Business School Press), and *Managing Marketing Linkages* (Prentice-Hall, Inc.)

