

## Integrated Marketing

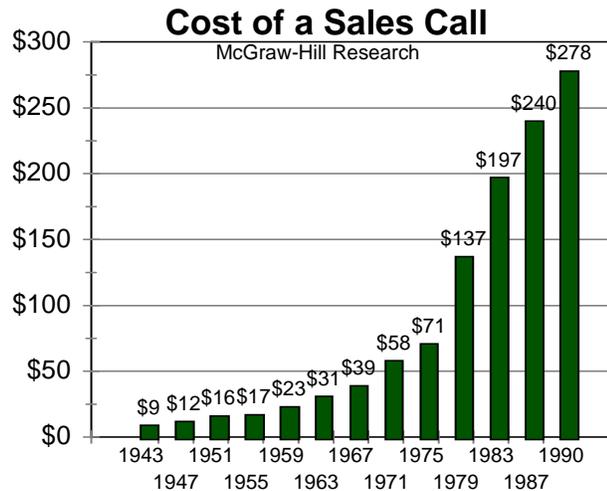
The text of this article by John Miglautsch discusses the issues related to integrating traditional marketing (i.e., field sales and lead generation) with telemarketing, Internet and other direct marketing techniques.

### Traditional Marketing Mix

Today's marketing strategies and goals reflect a need for the most efficient and productive contact with customers. For the most part however, business-to-business marketers continue to employ only the traditional approaches. Product and institutional advertising establishes name recognition and customer product awareness. Relatively distinct from that, the sales force calls on present customers as well as selected prospects. To increase efficiency, especially in reaching small accounts, a strategy of using other forms of contact must be adopted.

### Traditional Marketing Mix Problems

In the past few years, in similar business-to-business marketing environments, problems with the traditional marketing approach have been uncovered. The greatest problem with a sales force driven distribution is the rising cost per call. McGraw-Hill studies indicate that the average cost per sales call has risen well above \$200. Some internal studies allocate costs differently but still show between \$100-\$175 per call. In many of my accounts, the cost per call is above the \$200 mark.



Further, the average business sale takes 4-6

contacts per sale. Studies indicate that this number is also increasing due to greater product complexity and customer sophistication. This makes the average field selling cost in the neighborhood of \$900-\$1,200 per sale. Some customers clearly justify this and greater selling expense. Accounts with large volume may merit 24 or more sales calls per year. Other accounts, however, will never justify the high cost of field sales contact.

An additional problem with traditional marketing lies in integration and control. Without a deliberate system linking advertising with sales, both tend to function independently. Some advertising promotes corporate image, some promotes products, some generates leads. Advertising which does not even attempt to evoke a response is more difficult to evaluate.

Even ads which do produce leads are rarely tracked through the selling process to see what orders resulted. Leads are sent to the field sales with little or no screening and the sales force follows up as time allows. If leads are sent to a distributor, competitive products may be sold without feedback to the manufacturer.

#### Relative Cost per Contact

Sales Call	\$280
Trade Show	
Telemarketing	\$28
Business Letter	\$18
Direct Mail	\$1.80
Trade Advertising	\$.18
National Publications	\$.01
Radio	
Television	\$.001

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Several years ago, we conducted a study in which inquiries were made to specific advertisers. Personal letters on corporate letterhead were sent. Approximately 25% were followed up by mail within a month. Another 25% within two months and 25% were never heard from. Only 2% of the letters sent generated any field sales contact whatsoever.

A further sales management problem occurs within traditional marketing. The field sales force calls on customers in a self-appointed fashion. In a different study, the largest customers of a company were contacted to determine how often the sales force called. 25% were called on every other week, 25% monthly, 25% every other month and 25% less often. Conclusion: salesmen tend to call on those customers they like.

When I was in field sales I had particular accounts on my way home. They were always happy to see me early Friday afternoon.

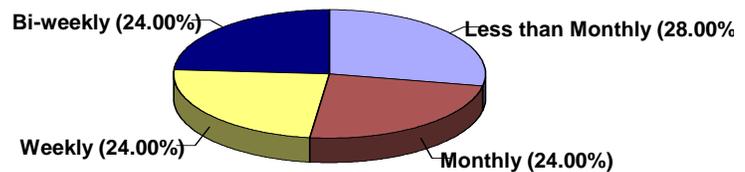
The difficulties with traditional marketing methods are: increased cost (esp. field sales) and the lack of tracking and control. The combination of field sales and mass advertising cannot be precisely structured to provide each customer and prospect the amount of contact appropriate to their potential.

## Multi-Level Marketing

Many companies in the business-to-business marketplace have adopted alternative strategies to the traditional marketing structure. The new marketing package has expanded from field sales and advertising to include direct mail, telemarketing and other more exotic forms of communication.

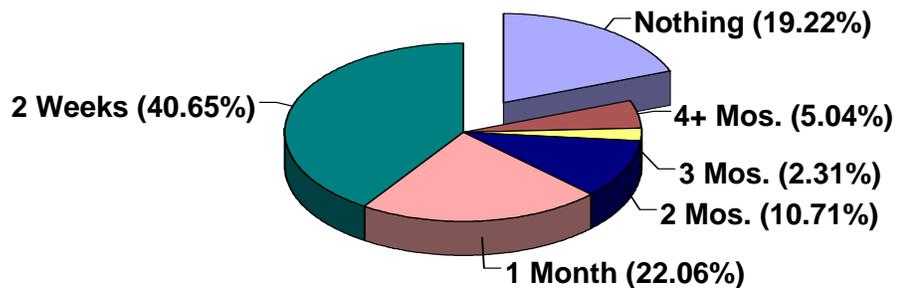
## Field Sales Contact Rate

\$50,000-\$75,000 Customers



## Lead Follow Up Analysis

Manufacturers - Electrical Industry



## 10 - 4 - 1 Rule

### Mail Contacts



### Phone Contacts



### Field Contacts



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Matched to the varying value of different sized customers, marketing contact also varies. National Cash Register, in a classic case study, found that for selling electronic cash registers to retail outlets, the optimal contact was that for every one field sales call, there would be four phone calls and ten mail contacts. This study coined the "10-4-1 principle."

All customers require contact. There are questions to be answered, quotations to be written, and assurances to be made. These communication needs of the customer can be met through many vehicles. The 10-4-1 principle simply illustrates that the communication must be carried out in relation to the customer's current or potential value. This system, if carried out correctly, not only makes the sales force more efficient (sending them to the most valuable customers), but most importantly, it gives customers on every level of value the highest level of contact economically possible. Even the smallest group should

be better served by mail and phone than they ever were by a rare sales call.

The following illustrations show the cost difference between sales, phone and mail contact.

## Multi-Level Marketing Difficulties

The 10-4-1 type marketing mix is not without its own difficulties. Because of the increased complexity, this system requires greater coordination and integration. Suppose a company decides to reach its small accounts more effectively. To carry this out, they produce direct mail pieces and hire telemarketing reps. They plan to contact small accounts regularly by mail and phone and occasionally send a salesman. The letters begin flowing out and the calls quickly follow. Within a short time, the salesmen call on their accounts and are confronted with confused buyers.

The star salesman finds that before his visit to his top customer, several pieces of mail and a few phone calls have preceded him. The customer placed his renewal and asks why the personal call. The salesman sees the writing on the wall and tells the customer only to place orders directly to his home phone! Suddenly, the productive phone and mail program appears to dry up. The sales force does not tell the telemarketers what their customers are doing and vice versa. The customers sense this conflict and soon, the President is forced to shut down the telemarketing and mail operation. This case is not fantasy, the biggest cause of failure for multi-level marketing is communication problems between customers, field and phone sales.

In another client setting, the director of marketing had a long telemarketing background. He gradually called a greater and greater percentage of customers after every catalog mailing. He insisted that the direct mail was less cost effective than the phone calling. He didn't realize that the customers were being trained to wait for the regular calls rather than place routine orders triggered by the mailing.

The second concern is with system measurement. Within a traditional system, it is difficult to measure the value of advertising campaigns, as well as the cost of a sales call. You've mailed six catalogs to a major prospect. You add four phone calls and two sales calls. The prospect finally orders and your in-bound reps insist on a keycode. The fact is that with multiple contacts, only in very carefully structured tests can you tell what is really generating the sale.

Add to this, the additional complexity of managing telemarketing and direct mail customer contact. Most companies have used direct mail and telephone sales. However, these programs were neither integrated into a total marketing system, nor measured accurately for return on investment. The key to implementation of an integrated system is understanding the marketing mix as a measurable system.

The following is an outline of a generic integrated marketing system based broadly on the 10-4-1 concept. This system is defined by the need to match the type and number of contacts to customer need, value and potential.

## **Lead Qualification**

The system begins with lead qualification. That means that virtually all advertising contains two specific elements. First, there is a way for the customer to contact us for more information. The ads should include a phone number, (preferably a WATS number), or some form of mailable coupon. Second, every ad, whether print, media or specialty, should contain a tracking code to compare the results from that ad with the results of any other.

## **Qualification**

Once the prospect contacts us about an issue raised in the ad, he is asked a series of questions, giving us information about the ad tracking code (key code), the size and type of company. We might also ask for the number of employees, level of need and even ask for the order.

Based on that information, this prospect's name is either:

- A. Killed (sent literature, but designated as not interested in buying and not scheduled for any later follow-up),
- B. Scheduled for a follow-up phone call after the information is received, or
- C. If ready to order, sent to the designated field sales rep for personal follow-up.

Lead qualification simply means asking about company information, finding out level of need and scheduling follow-up until a sale is made or lost. These results are then tracked back to the source ad and through field sales.

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## Field Contact

When the lead is ready for field contact, the salesman receives a piece of paper about the prospect, giving him name, address, phone number, company size, etc., as well as any comments the phone representative might have thought would help him in the sale.

Four outcomes are possible from the sales call.

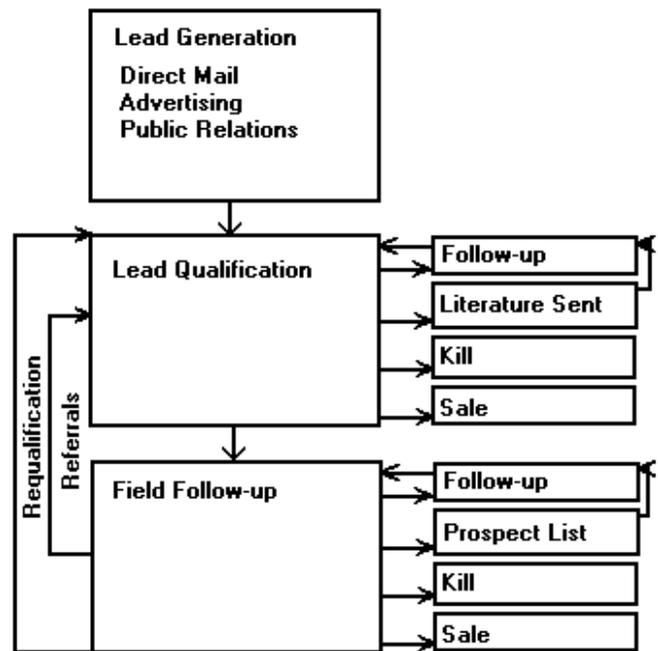
A. The lead, after discovering more about the product, may have no further value. He is killed, meaning that the salesman designates this lead as **no buying interest**. Killed leads are not scheduled for further follow-up.

B. The lead may have sincere buying interest, but that decision is too far away to make a commitment now. In that case, the lead would be sent back to the central processing and re-qualified (possibly several months later).

C. The lead may have genuine interest and indicate readiness to buy in the near future. In this case, the field rep would send back the bottom half of the qualification sheet and would receive a listing of leads designated for recontact.

D. The lead could be sold and become a customer. In this case, the lead sheet is sent back to central processing with sale information and the salesman sets an annual call frequency for further field and phone customer contact.

## Integrated Mail/Phone/Field Lead Qualification Model



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The sale information is used to update this prospect's file, changing him from a prospect to a buyer. He now enters the customer maintenance phase of the marketing system. In this simple system, two customer maintenance functions will be used to illustrate the remainder of the database concept.

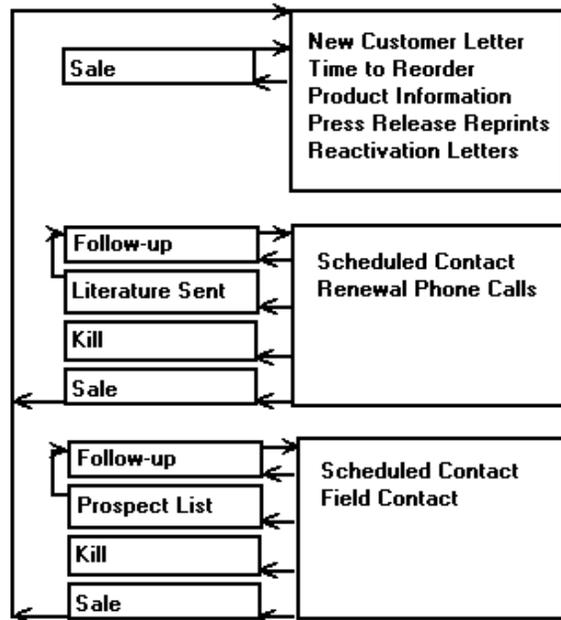
Since our former prospect is now a customer, we believe that she is more likely to buy additional products from us than a similar company with no purchasing history. Further, our products are somewhat related and we know that customers who buy Product A frequently have a need for Product B. Through the coming year, we will use focused marketing through mailing pieces, billing stuffers, etc. to make this customer aware of some of our related products. Our goal is to have her inquire about (or purchase) those products and be entered into the lead qualification cycle again.

If time passes without additional purchases, a reactivation sequence can be triggered. Customers can be inserted back into the qualification system, called and followed up with a field sales contact. Often customers have moved, giving you a new company as a prospect and a new contact within this past account. Occasionally, customers have had an unpleasant experience which, if known, can be easily remedied. Some companies simply offer special discounts for reactivation of dormant accounts.

## Multi-Level Marketing Benefits

This simple illustration shows how an integrated system allows coordinated contact from lead generation through renewal. Even in cases where the field rep makes a call, the way has been paved by several cultivation efforts and the sale is ready for closing. The major benefit is that the sales force continually thinks about closing business rather than maintaining business.

## Integrated Mail/Phone/Field Customer Maintenance Model



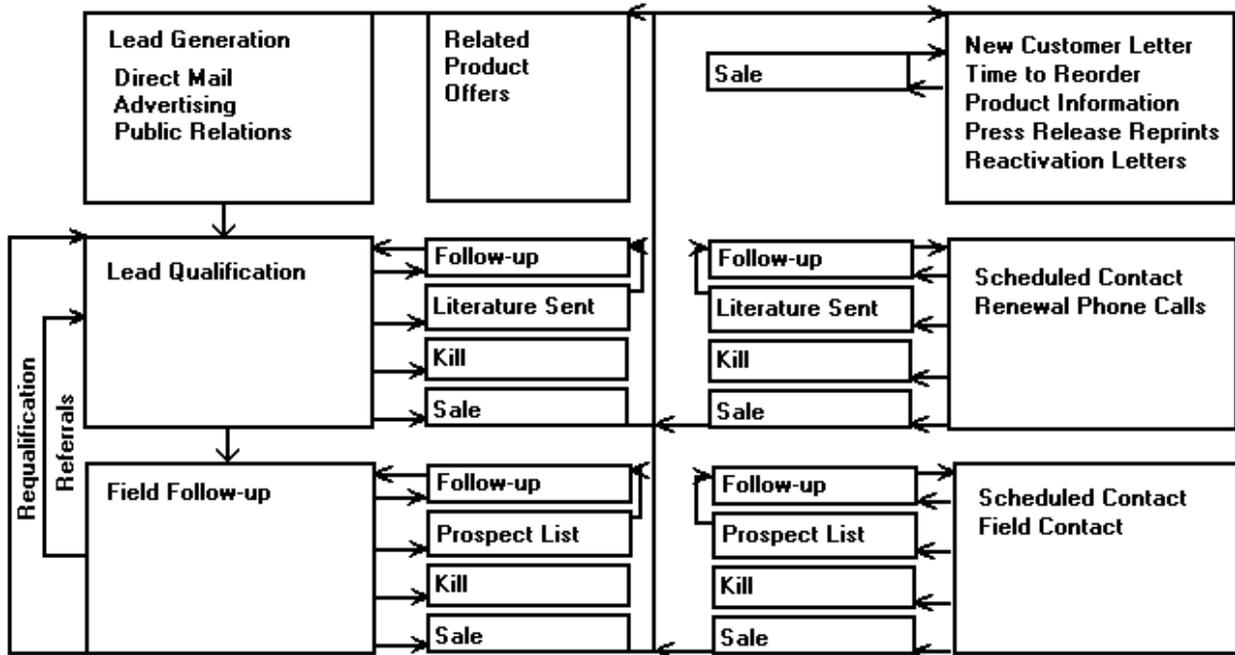
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Because all leads are centrally qualified, all leads within a campaign are of relatively equal value.

## Integrated Mail/Phone/Field Management Model



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Therefore, all involved field reps can be evaluated on a consistent basis. Reports are generated showing both closing ratios and sales dollar ratios per lead sent. It is very easy to determine which sales reps are most effective at closing the sale.

The lead qualifiers can also be evaluated. If telemarketer A has 25% of their leads closed but telemarketer B has 75% it is possible that A is too quick to send them to the field and (possibly) B is too slow!

Multi-level customer maintenance allows every customer contact to be controlled by customer value. Even the smallest accounts can be given regular attention, though the field sales force cannot be the method of contact. Even for large corporations, where personal contact is vitally important, telephone maintenance provides low cost two-way communication. This allows the field sales rep more time for well conceived and planned customer and prospect calls.

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An additional benefit of this system is its ability to track orders. Because all incoming leads contain information keying them back to the source advertising, ad dollars can be tracked directly to leads generated. Further, because all lead information is preserved through sale, ad dollars can track through to sales revenue and profit. Customer life can also be tied to ad source allowing life time value per source to be calculated. Advertising evaluation is not left up to abstract research, memory recall or focus groups; it is compared on dollar-for-dollar effectiveness.

Such a system becomes self-correcting. Though every promotion will not work with equal effectiveness, the most effective are readily seen and therefore take the place of less effective ones. As the number of prospects increases, it is possible to determine segments in which one type of system works better than another.

### **Implementation**

The greatest obstacle is not database or technical issues, though they are an important consideration. The most important factor in the success of an integrated marketing system is the acceptance of the system by the traditional field sales organization. Often only loosely managed, there is open rebellion when a system is perceived as imposed. Further, in many companies, field sales is the training ground for senior management. Therefore, when the field gets annoyed, the integration is abandoned.

Part of the solution comes with the technology. We begin by segmenting the customer file. Customers are ranked by sales (or profit). The ranking is then divided by percentages into A-E. Next, a rough contact strategy is laid out in a "what if" scenario. The spreadsheet below illustrates a simple segmentation model. We assign contact costs and frequency for each segment. At the bottom of the model, we also estimate the telemarketing and field sales resources to carry out the plan.

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\* 10-Mar-95 \*

## Marketing Matrix

Cost per Contact

Mail Phone Field  
\$0.44 \$7.64 \$113.00 Total

A	Potential	\$440,231-\$15,287				\$5,921,294	Sales
					\$44,128	Marketing Cost	
Sls/Customer	\$74,016				0.75	% of Sales	
Customers	80	Contacts	18	12	4	2,720	Total Contacts
% Customers	1.0%	Total	1,440	960	320	34	Contacts/Custmr
% of Sales	44%	Cost	\$634	\$7,334	\$36,160	\$552	Mktg Cost/Custmr
B	Potential	\$15,026-\$3,811				\$2,667,262	Sales
					\$60,227	Marketing Cost	
Sls/Customer	\$8,283				2.26	% of Sales	
Customers	322	Contacts	12	9	1	7,084	Total Contacts
% Customers	4.0%	Total	3,864	2,898	322	22	Contacts/Custmr
% of Sales	20%	Cost	\$1,700	\$22,141	\$36,386	\$187	Mktg Cost/Custmr
C	Potential	\$3,810-\$1,054				\$2,639,079	Sales
					\$128,304	Marketing Cost	
Sls/Customer	\$2,186				4.86	% of Sales	
Customers	1,207	Contacts	9	6	0.5	18,709	Total Contacts
% Customers	15.0%	Total	10,863	7,242	604	16	Contacts/Custmr
% of Sales	19%	Cost	\$4,780	\$55,329	\$68,196	\$106	Mktg Cost/Custmr
D	Potential	\$1,053-\$333				\$1,627,500	Sales
					\$202,052	Marketing Cost	
Sls/Customer	\$674				12.41	% of Sales	
Customers	2,414	Contacts	9	6	0.3	36,934	Total Contacts
% Customers	30.0%	Total	21,726	14,484	724	15	Contacts/Custmr
% of Sales	12%	Cost	\$9,559	\$110,658	\$81,835	\$84	Mktg Cost/Custmr
E	Potential	\$333-\$0				\$737,185	Sales
					\$72,110	Marketing Cost	
Sls/Customer	\$183				9.78	% of Sales	
Customers	4,024	Contacts	6	2	0	32,192	Total Contacts
% Customers	50.0%	Total	24,144	8,048	0	8	Contacts/Custmr
% of Sales	5%	Cost	\$10,623	\$61,487	\$0	\$18	Mktg Cost/Custmr
Customers	8,048	Total	62,037	33,632	1,970	\$13,592,320	Sales
Sls/Customer	\$1,689	Cost	\$27,296	\$256,948	\$222,576	\$506,821	Marketing Cost
Profit/Cust	\$535					3.73	% of Sales
Mktg \$/Cust	\$63					97,639	Total Contacts
						\$4,309,475	Contribution

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Manpower Requirements:

Telemrkr	2.6	Salesman #	6.6
Calls/Hr	12.0	Calls/Day	1.5
Call/Cont	1.5	Call/Cont	1.1
Hr/Day	7.0	Day/Yr	220.0
Day/Yr	235.0	Calls/Yr	2,167
Calls/Yr	50,448	Conts/Yr	1,970
Conts/Yr	33,632		

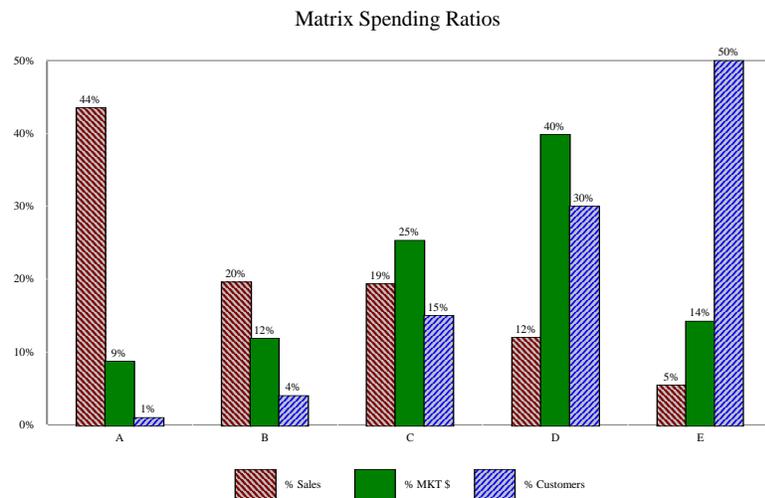
By looking at segment characteristics the model can be expanded to include prospects also. If for example most of your A customers have more than 150 employees, then prospects with more than 150 would be given the same contact frequencies. This allows you to commit enough resources to penetrate large high potential accounts.

Using graphics we can compare the marketing and sales across all segments. This allows us to tune our marketing to the areas of greatest potential. Typically, this means devoting much more effort to our largest customers... and spending much less on our smallest accounts. As illustrated above, when the sales force even occasionally calls on the smallest accounts, they are over spending your resources.

If we use the marketing warfare analogy, advertising and direct mail are the scouting and air cover. These tools can identify key targets and begin to soften them up. Telemarketing is the artillery, once key decision makers have been identified, we can pinpoint their application needs. However, as Rommel proved, we still need the troops to solidify and clean up territory. There are always uses for your products which your customers won't realize. There is nothing like a seasoned salesman to go and scout around INSIDE the customer's plant.

A matrix is built for contact strategies for major product groups or major markets. An A customer in one slice may not be an A contact for every product. This allows tuning both by product profitability and customer potential.

Further, each sales territory can have its own matrix. This is the key to implementation in field sales. You begin by a review of all key accounts within the territory. Both important prospects and customers are covered. Next, the sales rep is asked to decide how often she wants to call on each category



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of customer. Typically, she will want to call on everyone at least once per year. Then she will increase that rate for the larger sites. Now we compare the number of calls she would prefer to make (by her own what-if design) with her capabilities. Moving to the bottom of the model, we see that it would take six sales reps to cover the territory with that level of contact. Within a very short time, each rep has built a plan that matches her historical calling rate. It will be slanted toward the large accounts (which is exactly what we hoped for). We will also allow her some flexibility around account segment. Some companies have just gotten started with our company and we can expect more from them... they are moved up. Others may be in declining industries and though they have always been loyal, they will not be sources of future growth... they are moved down.

Now, we note that there are quite a few customers and prospects who are not being called on at all! Here the tool helps us negotiate how the others will be contacted by phone reps. Because the tool shows clearly how the resources will be allocated, the process is perceived as fair and becomes much less emotional for each individual rep. Also, because the field sales rep is setting up his own territory, the typical "me/they" thinking is defused. Though field sales compensation is beyond the scope of this paper, individual field sales reps should be compensated for sales in accounts not actively called on. Otherwise, the system continues to be filled with the deception that every account in the territory is being personally served.

To make the territory plan easy to keep on track, a set of contact sheets are printed out each month. The sheets include contact name and address, recent purchase history and any comments keyed by telemarketing or customer service. There is also room for field sales comments. The task each month is to make all the calls and to send back the sheets with detailed comments clearly noted. This eliminates the need for elaborate call reporting and more importantly, keeps both telemarketing and field sales aware of their respective contributions to the overall marketing process within the territory.

Obviously some reps will do a better job than others at setting up their territories. It is not possible to determine in advance who will develop into next year's big account. However, because each rep is using the same tools, their relative management can be compared across the territories. Finally, because all of the reps are in control of their own individual

## Multi-dimensional Customer Contact Strategy

	Mail	Phone	Field
A	26	12	6
B	12	8	4
C	10	4	1
D	8	3	.25
E	4	1	0

Product Group 3  
Product Group 2  
Product Group 1

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territory, each of them have a vested interest in improving his or her account management skills. If a favorite account is just not panning out, the rep will move it down (though she may still may spend a bit extra on T&E). In less than a year, we have seen field sales and telemarketing working together as a team in the context of a simple yet powerful integrated marketing management system.

### **Conclusion**

Though it may be difficult to systematically coordinate field, phone and direct mail marketing efforts, the rewards in achieving this objective are significant for everyone involved in the process. With the aid of relatively simple database marketing technology, field reps can be encouraged to segment their territories and work with telemarketing and corporate lead generation campaigns. Giving control to the individual members of the sales force not only makes political sense, but each of the reps develop more detailed and valuable knowledge more about the dynamic market forces operating within their own individual territories. By developing specific and detailed market knowledge for each of the members of your field sales force, on the enterprise, industry and regional levels, the productivity of each individual rep theoretically should be enhanced. Given sufficient time to be fully implemented (at least one full marketing cycle), this type of coordinated "smart" marketing system should achieve positive performance results with even the most challenging traditional field sales force.