THE INTEGRATION OF DIRECT MARKETING AND FIELD SALES TO FORM A NEW B2B SALES COVERAGE MODEL

John M. Coe
President & Founder
The Sales & Marketing Institute, Inc.

OVERIEW

Today's sales organization operates in a much different environment than that of the past. Sales and marketing must work together in order for the organization to operate at peak efficiency. It's only with such integration that sales can focus on the customers and channels most likely to provide the revenue necessary to reach their goals. The 21st Century sales coverage model is built upon a multi-stepped process which integrates the tools and techniques of direct marketing with measurements, quantifiable business benefits and capabilities that help salespeople remain fixed to an optimal set of goals. The process includes

1.) Benchmarking the existing sales and marketing process
2.) Establishing gaps between the benchmarks and company goals
3.) Developing required capabilities to close the gaps
4.) Engineering the new sales coverage model
5.) Executing, measuring and adjusting the model.

While seeming to be deceptively simple, this framework realigns the sales organization to make best use of the company's full resources and capabilities.

The good old B2B days
For decades, sales and marketing groups have coexisted as complementary but separate silos in most B2B companies. Before the 1990's, the marketing communications department was primarily responsible for advertising, sales collateral, public relations, and trade shows. If any of these activities resulted in inquiries or leads, they were passed directly to sales or the distributor network. The sales group, in turn, was responsible for following up on these leads, along with everything else related to selling the product or service to prospects and customers in their territory. They provided marketing communications little, if any, feedback on the "leads" that were sent to them.

In the 1990's we all thought that progress was being achieved as many companies began to launch direct marketing campaigns, deploy outbound telemarketing to qualify the inquiries more aggressively and build marketing databases. In addition, SFA (sales force automation) contact management systems gave way to CRM software, as many companies invested heavily in sales and marketing technology for the first time. So we thought that real progress was occurring since sales revenue grew and grew. Boy, were we wrong! While some progress in productivity was being made, what actually happened was the boom times and ever increasing sales revenue of the 1990's disguised the lack of real progress in improving sales and marketing efficiencies and overall productivity. In essence, the revenue results in the 90's continued to cover over the productivity cracks in the B2B sales and marketing processes.

Today's reality
The 1990 boom times are over and so are the false assumptions of how much improvement actually occurred in the sales and marketing functions. Companies must deal with the hard facts of today's B2B environment.

For many companies this means that sales revenue is not growing, but sales and marketing costs are. The net result is that the percent of revenue devoted to sales and marketing costs is increasing, often exceeding 20-25% or more of total revenue. Generally, companies have responded by cutting the marketing budget and eliminating sales headcount, thus further limiting the capacity to generate top line growth.

Sales call rates, as measured by the number of sales calls per day, have dropped significantly over the last 10 years. *Sales & Marketing Management* reported several years ago that the average number of calls per day had fallen from the old standard of four to three, a 25% loss in sales force productivity. This decline didn't occur overnight, but rather was gradually happening throughout the 1990's. Many estimates now place this average even lower, largely due to the increasing resistance of buyers to see sales people. In fact, many companies are well below the average of three calls per day if their sales people cover a large geographic territory. In these situations, call rates of one or two per day are not unusual.

The cost of a sales call has continued to increase faster than inflation and price increases can recoup. Surprisingly, most companies do not know what their sales call cost is, as sales managers are quite nervous to have it calculated and broadcast internally. There is a real fear that, if known, it will become the focus of management decree that it should be lowered. The methods to do so will surely not be pleasant for sales management. In addition, there is much debate as to how to calculate the sales call cost.

McGraw-Hill annually reported the cost of a sales call, but discontinued it in the late 1980's. In 1987, the last year of the survey, the average sales call cost was $254. Most recent surveys have placed the average now at between $350 - $500. While the average is a good number to know, the key issue for B2B companies is "what is our sales call cost?"

Here's a sample formula for calculating the cost of a sales call. It is reflective of the methodology that McGraw-Hill used, and provides a fair comparison to that discontinued survey.

- **Number of calls per year**

  52 weeks/year
  - 2 weeks for holidays
  - 3 weeks for vacation/time off/sick time
  - 2 weeks for meetings, trade shows, training, etc.
  45 selling weeks

5 days/week
- 1 day for appointment setting/paper work (could be up to 2 days)
4 days/week selling time

2 – 3 face-to-face calls per day on average (assumes today's travel hassles)

45 weeks x 4 days x 2-3 calls per day = **360 to 540 calls per year**

- **Yearly cost of a sales person**

  $75K average compensation cost (salary, commission, bonus, etc.)
  $15K in benefits at 20% of salary
  $45K in travel cost @ $1k/week average
  $40K allocated for sales management cost @ 20% of $200K
  $175K total cost of field sales person

- **Cost per call as a function of number of calls**

  $175K divided by 540 calls/year = $324/call

  $175K divided by 360 calls/year = $486/call

  Average cost per call using these totals is $405

Your own results may be different when you apply this formula. Recently, a division of DuPont reported sales call costs of $3,000. Several years ago IBM's cost per sales call was $1,200. As pointed out by these two examples, the actual cost per call in specific situations can far exceed the average. The key issues is that the number of calls per year is a finite or limited number. There is little a company can do to increase the number of calls per year, assuming that the sales group has been organized and geographically located in the most efficient manner. Therefore, it would seem that the overriding goal for sales management is to make each one of these sales calls more productive.

The buying process has become more complex with more decision-makers and influencers involved. In the "old" days, purchasing decisions by companies were controlled by a relatively few number of people. Today, not only has the increase in availability of information (primarily from the Internet) changed the buying process, but there are many more decision influencers involved as well. In large companies, these people at times do not even reside in the same city, which further complicates the sales challenge and coverage model required to communicate and sell all the key people. Therefore, the number of steps in the buying process and the people involved has increased. Back in 1987 McGraw-Hill also reported the number of calls to close a complex sale was 5.4. Today, while no definitive survey exists, the general feeling among sales executives surveyed, is that this number has increased by 8 - 10 times due to this more complex and dissipated buying process. The problem is that many sales organizations have not properly factored in this new and lengthier buying process to their sales coverage model. They are continuing to deploy face-to-face sales people to perform most, it not all, of the selling and servicing functions.

Marketing efficiencies have also decreased, evidenced by declining response rates for direct mail, e-mail and advertising. Direct mailing campaigns are lucky to see the standard 1-3% response rates unless high impact or 3-deminsional mailings are sent. E-mailing programs and the response rates, even to opt-in lists, have dramatically declined in the last two years primarily due to the glut of email in everyone's box each morning and, of course, spam. On the telemarketing side, connect rates have also dropped as few people answer their phone, now relying on voice mail to manage their time. Business people are just too busy today to respond to or even hear most marketing messages, as they've taken on more duties as staff levels have continued to be cut, and as the sheer volume of marketing messages have grown dramatically.

Therefore, the cost of acquiring, growing and retaining customers has continued to increase in the last several years. When these cost increases are compared to the lack of ability of companies to increase prices in the last several years, it is no wonder that overall profitability in has suffered. We all are painfully aware of this trend during the last three years.

These trends and pressures will not disappear, and in fact, are just a continuation of what has been occurring all along – it's just that we didn't notice this gradual change. The BIG question is what to do to stem the tide and improve sales and marketing productivity? In essence, how can we rethink how the marketing and sales organization goes to market to achieve the dichotomous goals of "sell more" and "spend less"?

The last great frontier for productivity improvements

While some productivity gains in sales and marketing were realized throughout the 1990's, they were largely incremental. Yes, assigning small accounts to tele-coverage teams, substituting e-mail for direct mail, and setting stricter lead qualification criteria before sending a sales person, produced some gains. But in large measure, most companies are still selling using the same strategies and tactics. That means marketing is responsible for demand generation (inquiries and leads), and sales is responsible for everything else (conversion, up and cross-sell, retention and loyalty). No real integration and productivity improvements have been achieved across the customer life cycle of acquisition, growth and retention/loyalty.

A New Sales Coverage Model is needed

Forward thinking companies have realized that dramatic changes are required in their sales and marketing organizational structure and are moving toward a "new sales coverage model". In this new model, instead of organizing the sales and marketing functions separately, companies are fully integrating them to achieve a much more productive and accountable result. The primary media for this new sales coverage model are the four targetable contact media of e-mail, mail, telephone and face-to-face. These four media are then deployed across the customer life cycle phases of acquisition, growth and retention in a blended model. Advertising remains important but it's "air-cover", as it doesn't talk to a specific individual within a targeted company. Clearly, the recognition and positive view of the company's brand, product or service has a value in the market place. But, with all the clutter it has to fight through, how much of the limited marketing communication budget should be spent on "air-cover'? The new sales coverage model is much more direct than advertising in trade publications. Also not being ignored are the other traditional marketing communication activities such as trade shows and public relations. However, these tactics are mostly "surround sound" in the new sales coverage model, as these type of communications again cannot reach specific individuals within targeted companies with relevant messages and offers. Only the four primary media of e-mail, mail, telephone and face-to-face can deliver a relevant message and offer to a specific individual.

Direct Marketing will become part of sales!

This is a strong statement to be sure, but to meet the demands of revenue growth and profitability, more activities need be measured by their impacts on sales. Marketing departments have largely been given a free pass in accountability for sales results, but those days are fast coming to a close. Therefore, the focus today for most marketing and sales activities should be to measurably acquire, grow and retain customers. Marketing communications will increasingly share these goals with the sales group. Thus, for many companies, marketing might become part of sales, rather than standing off to the side of the sales group. This is particularly true for small to medium size B2B companies. But even in large companies, a rethinking of the role of marketing communications is required, in order to achieve substantial marketing and sales productivity gains. There is no question that large firms, with sales force headcounts numbering in the hundreds if not thousands, cannot continue to afford the costs associated with fielding such a large number of sales people whose efficiencies are fast declining and costs increasing.

Direct marketers now have a great opportunity in B2B

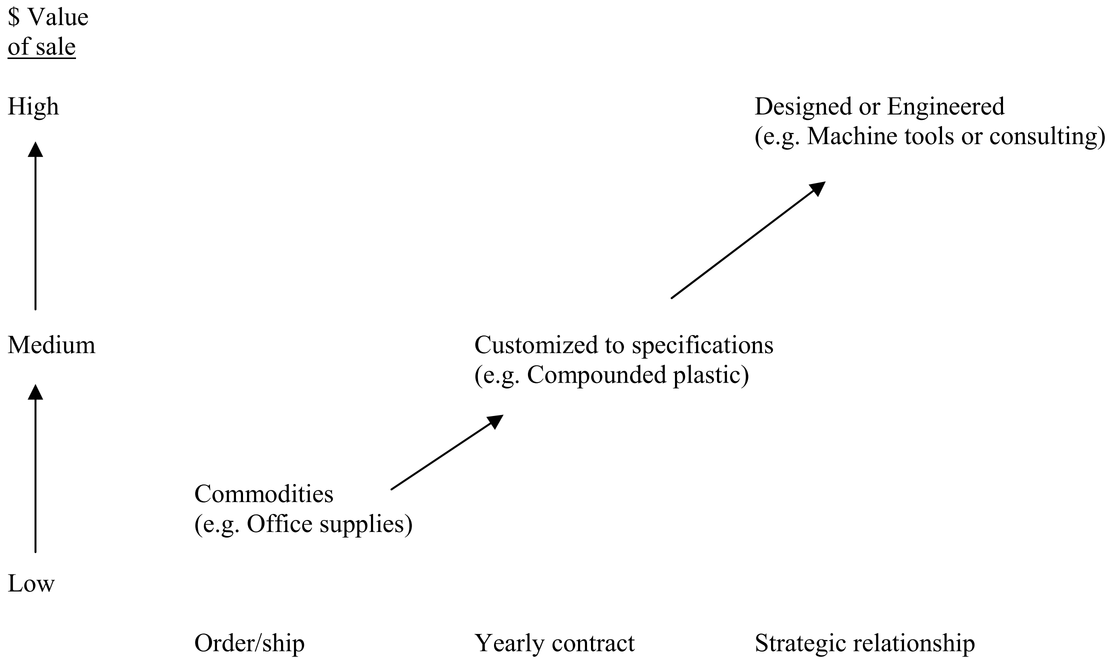
The new sales coverage model relies on the three previously mentioned media that direct marketers have traditionally used in B2B. The disconnect direct marketer's had from the sales group was that the communication objectives were centered on generating responses for inquiries and leads and not generating sales. Under the new sales coverage model, direct marketing will begin to share the responsibility for not only generating inquiries and leads, but also communications to customers for sales conversion, growth and retention as well. In other words, marketing communications will begin truly sharing responsibility for sales revenue and will be measured accordingly on results and not activities.

Closing the gap – five critical steps

There is an obvious gap between where B2B firms are today in their marketing communications capability and where they need to go. That's obvious, but the critical issue is how to get there? This will be no easy task. There are many entrenched processes and traditional views of how sales are generated within all companies. They need to be squarely addressed, or all efforts to develop a new selling model will fail. The following five-step approach will not only close the gap, but also identify specific areas for improvement required to achieve substantial gains in productivity. This five-step process is critical because there are so many varied B2B business models and marketing situations that no one solution will fit this wide variety. From commodities (office supplies) to customized (compounded plastics) to engineered products (machine tools) or professional services (consulting)– the variety is extreme, and therefore any new sales coverage model must be highly customized to each company's unique market situation and business model.

Consider the following matrix (Figure 1.) which describes many different types of business selling situations. This illustrates the need to apply this five-step approach so that the required customization of the new sales coverage model will be obtained. Then and only then will significant improvements be achieved in sales and marketing productivity. Long gone are the days of beating-up the sales person to make "one more call per day".

Figure 1. Selling Situation Analysis



Benchmark the existing sales and marketing process

As previously mentioned, most marketing communication groups do not have a quantified measure on their activity. On the other hand, sales organizations live with quantification on a daily basis. To help bridge the gap the following activities should be benchmarked. Not all measurements will be able to be quantified, as records may not be well kept. This obviously points up one area for improvement – measure or in the words of Meg Whitman of e-Bay, "if we can't measure it, we don't do it!"

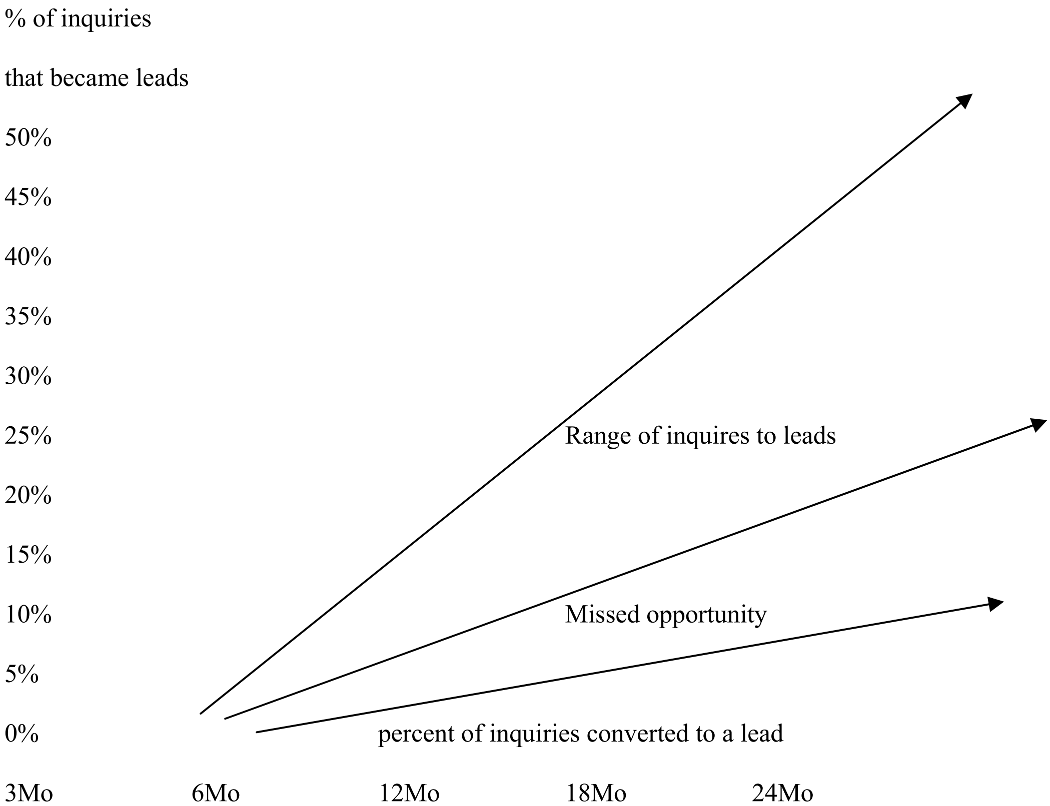
Cost of inquiries:
The cost of inquiries is simply the division of the number of inquiries received into the cost of the campaign. This will vary by media, and it is important to note these different

costs by media, as it is one way to compare what is being obtained from each media. On average, B2B inquiries cost from $25 to $150 to generate. The average cost is $80.

Conversion rate of inquiries to qualified leads

Most firms are now qualifying inquiries into leads before passing them to the sales force or distributors for follow-up. The number of actual leads qualified by media source and offer will then provide some measure of the quality of the inquiries received. This combined with cost-per-inquiry, will shed new light on demand generation campaigns. Depending on the offer, the average conversion rate in B2B across a wide array of categories from inquiries to qualified leads averages 10%. That means that 1 out of 10 inquiries are interested enough today to be leads and sent to sales. There may well be another 10-20% that will become leads given enough time and continual communication, and these should be part of a lead development program. This is highlighted by past studies from both Penton Publishing and Cahners (now Reed Elsevier), where it has been documented that between 20-50% of all inquiries received from print advertising media will buy the product or service they inquire about for the product within an 18-24 month period. Ask any marketing communication group how many inquiries resulted in a sale, and the best you will hear is that only 1-5% did. The problem is that lead qualification was either not done properly or rushed and the inquiry was dropped. This graph (Figure 2) illustrates the lost opportunity. To close this gap, a lead development program needs to be instituted to keep the inquiries alive until they are ready to become a "lead".

Figure 2. Percent of leads qualified Vs. time



Cost of a qualified lead

The logical next benchmark is the cost of the qualified lead. If only 1 out of 10 inquiries become leads and the average cost is $80, then the cost of a qualified lead is $800 or more. Note that no additional cost for qualifying the lead has been added at this point. Therefore, it is not unusual to have qualified lead cost well in excess of $1,000 when all lead qualification costs are added. The interesting observation is that most sales organizations have no idea of how much their leads costs, and therefore treat them accordingly. Once the sales force is aware of the lead cost, considerably more attention will be paid to them and improved feedback will result.

Recently, a B2B marketing service firm had switched to outbound cold telemarketing to create a lead and an appointment for their sales force. There were three market segments, each having their own unique characteristics as to how difficult is was to find the proper decision-maker and set an appointment. The total cost per appointment ranged from $1,220 to 2,450 between each of the three segments. The sales group did not make approximately 35% of these appointments until it was communicated to them as to just how much this was costing the company per appointment. Now, all appointments are picked up by sales and the sales meetings are held.

Number of leads required for one sale or lead conversion rate:
On average, for every 10 leads 1 sale will be made in the near term. This 10% conversion factor is surprisingly consistent across many industries. Therefore, if a lead costs $800+ then the cost of the sale is at least $8,000. When sales call costs are added to this calculation, the cost of a sales far exceeds $10,000 in most situations. This high cost will shock a number of people in any organization and will frequently be the first focus for the new sales coverage model to attack. In fact, this single calculation will point up just how much money is being spent for customer acquisition efforts, and in almost all B2B situations, will be the first time anyone has benchmarked this cost.

Average number of sales calls per day/week/month
While *Sales & Marketing Management Magazine* reported an average of three calls per day, this will vary for each company based on the size of territory and density of prospects and customers. Unlike the other calculations, the number of sales calls should be an easy figure to determine from call reports. One definition is required here, and that is a call is a personal visit (not a telephone conversation) to a prospect and customer no matter how many people are seen at the account. Several years ago, Roadway Express reported that their sales people averaged 12 calls per day, but when pressed they admitted that they counted one call for each person seen at the account or prospect – see four people and four calls were recorded. This is not the widely accepted definition of a sales call.

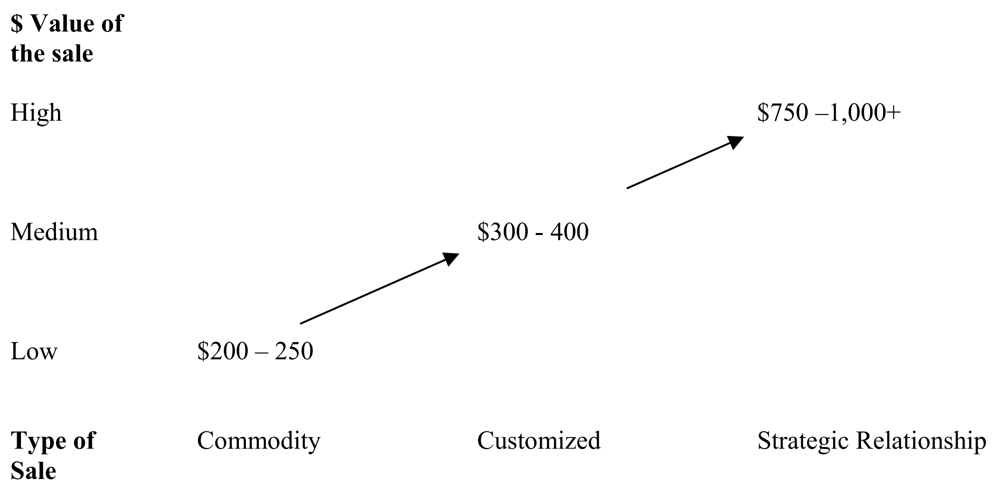
Type of sales calls made by percentage of number of calls
The type of call made is a potentially very revealing benchmark. For those that have not been in sales, the fact that a call is made does not truly define the value of the call. Generically, there are eight types of calls made by sales people. They are:

- Cold calling – yes, it's still done in some organizations
- Lead qualification – determining if the firm and/or individual qualifies
- Lead development – keeping the sales opportunity alive
- Proposal or closing – going for the sale
- Up-sell or cross-sell – finding other opportunities within the customer
- Relationship building – creating more in-depth relationships with key people
- Routine servicing – sometimes referred to as "go see" calls
- Problem resolution – handling some type of problem

The attempt to determine the split or percentage of these types of calls made will cause the sales force to become very defensive. To put it bluntly, this is the hot button, so be very careful. On the other hand, this is the key benchmark for the new sales coverage model, as the real goal is to insure the sales people are making the right kind of calls not just a lot of calls. Marketing's new role is to help them by relieving the calls they either don't want to make or shouldn't be making. That, in essence, is one of the key deliverables and productivity improvements of the new sales coverage model.

Cost of a sales call
While the calculation of the cost of a sales call and average call costs has been previously detailed, here's a graph (Figure 3.) that demonstrates how the call cost increases with the type and value of sale. Clearly, the more involved the sale and the more dollars that are at stake, the higher the sales call cost becomes.

Figure 3. Sales call Cost Vs. Type of Customer Relationship



Number of calls required to close a sale
This is another very important benchmark and one that is also not well documented in most companies. Simply, it's the number of face-to-face calls that are required to take an account from the prospect stage to a buying customer. Clearly it will vary by each customer situation, but most sales organizations will be able to provide an average number of calls it takes to sell a customer, if asked. As mentioned, most sales managers feel that this number is between 8-10 today for a complex sale.

Cost of a sale
This measurement was previously detailed and just to clarify, it is the total marketing and sales cost to make one sale. It may include other functions (e.g. technical service or engineering) and should be a realistic calculation as to how much money is really spent to acquire one customer. In most all cases, the cost will be much larger than thought and will quickly become a focus for productivity improvements.

Win rate of quotes/proposals to sales
The average conversion rate of how many "wins" of quotes or proposals that it takes to close a sale is another key benchmark. Normally, win rates are between 33% and 50%. This rate depends greatly on the product or service sold, as there will be a great variance between office supplies and machine tools. What ever it is, it needs to be benchmarked, as it is a key measure of sales effectiveness.

Customer decay rate
In Fredrick Reichheld's book, *The Loyalty Effect,* he documents that, on average, 10% of customers are lost each year for one reason or the other. Most companies do not know this percentage and the corresponding dollar loss. Past sales records will be key to this calculation. As an example, Fairytale Brownies in Phoenix, AZ recently calculated this decay rate for their business gift customers and found, to their surprise, that was 21%. It thus became the number one objective of the new sales person – keep the current customers vs. finding new ones.

Percent of revenue devoted to sales and marketing
Most of the preceding benchmarks and measurements cascade to this calculation. Simply, what is the percentage of revenue that is devoted to sales and marketing expense? At IBM in the mid-1990's, the sales and general administration expense was in the low 30% range. As a result, it became one of the driving objectives within IBM to lower this percentage. Today, it is in the 15-18% range, and is one big reason IBM has climbed back to profitability. IBM significantly reduced the sales force in number while adding several thousand direct marketers to achieve this productivity improvement. In fact, they are of the first companies to move toward the new sales coverage model. The net result is that IBM rung out at least 15% in costs. In round figures, they are an 80 billion dollar company and 15% times this equals 12 billion dollars – and in the now famous words of Everett Dirkson, former Senator from Illinois – a billion here and a billion there and soon you have some real money. Of course, he was talking about the Federal budget! While there may be others benchmarks and measurements appropriate to a specific company's market situation, these will be a great start, as few if any, companies know these basic measurements of sales and marketing productivity.

Establish key gaps between the benchmarks and company goals
Once the basic sales and marketing benchmarks are established, the sales and marketing areas that need improvement will quickly become apparent. As mentioned, most companies do not evaluate these key metrics, and when they do, several will jump out as obvious areas for attention. In the end, the gaps will help set the priorities and benchmarks for developing the new sales coverage model.

Several years ago, a medical equipment company selling such items as defibrillators, measured several of these areas. The one that quickly jumped out was that the sales people were making 11 different types of calls. When asked, both the sales people and management identified that only four of these call types were what the sales staff should be concentrating upon. The problem was that no other resource was available to assist the territory sales people, so they were forced to make all these calls in their geography. As an example, one type of call was checking on and/or delivering batteries to EMS units that had purchased their defibrillators. This insured that the defibrillators remained in spec as, if not, a significant liability could occur. Clearly this is an important activity for the company, but not one for a field sales person to be responsible for. Upon developing and implementing elements of the new sales coverage model, sales revenue jumped by 17% in the following six months. The single most significant change was to team an outside sales person with an inside support person. Then they teamed up together to contact and therefore cover the territory. In this situation, the inside sales person supported two outside sales reps. They were then relived of low priority calls by working in tandem, and thus freed them up to call on more productive accounts where sales revenue was available. They just had not been able to devote the calls to new customers as they were tying themselves down with low priority sales calls.

Develop required capabilities to close the gaps and educate everyone
To close the gaps, improved or new capabilities will be needed. As an example, many B2B companies have used telemarketing, but most have done so sparingly. Under the new sales coverage model, telemarketing will assume a more important role in applications such as lead qualification, lead development, telesales and sales coverage. Building the outside and/or inside telemarketing resources will become a top priority.

Other capabilities will also be required. An obvious one is building a marketing database that is not only descriptive of the market, but is accurate as well. Here lies a unique B2B problem – the accuracy of the information on customers and prospects is poor. Recent studies by The Sales & Marketing Institute have documented that contact information on individuals has a 70.8% decay rate on a yearly basis. In other words, one or more of the data elements on an individual's business card will change in a 12-month period. Here are the summary results of this research on change rate in personal contact information.

65.8%	title or job function change
42.9%	phone number change
41.9%	address change
37.3%	e-mail address change
34.2%	company name change--new company name or changed jobs
3.8%	name change (marriage or divorce)

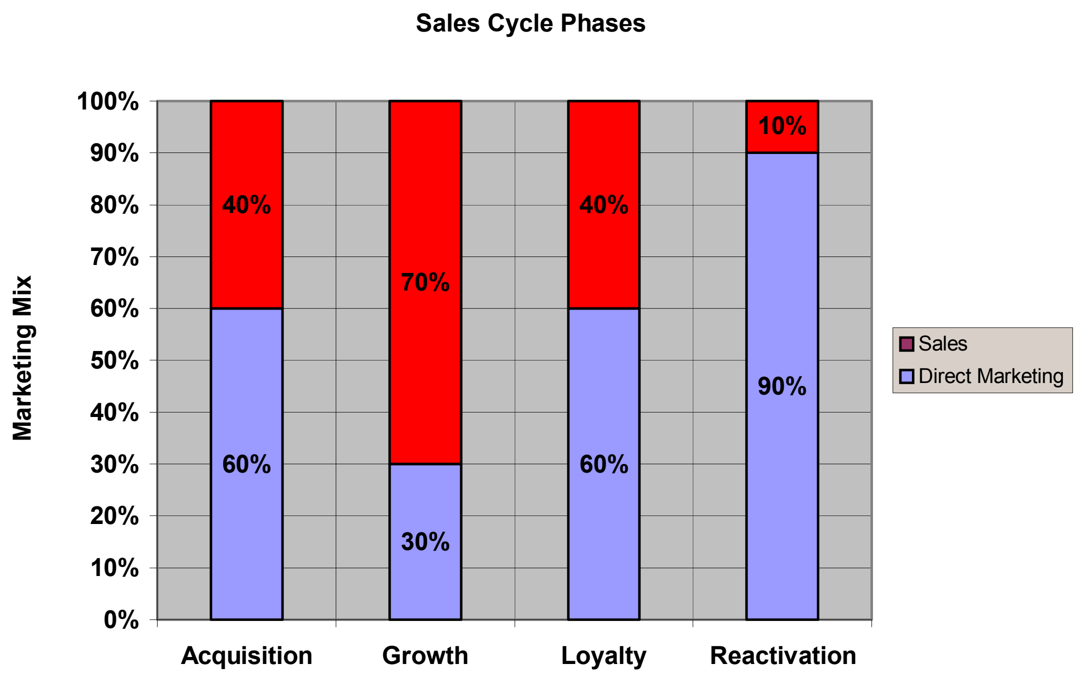
Changes in fax numbers was not totaled as this is typically shared between individuals and therefore ceases to be a personal contact piece of data. As can be seen, it's not unusual for companies own customer data to be badly inaccurate, as in the past, the sales people were expected to know the current information. Therefore, a new capability or service will be required to keep the contact information accurate, as it will be increasingly used to drive marketing communications to specific individuals in concert with sales calls. Finally, education and training will be required to introduce these new sales and marketing methods to all and, in particular, to the sales group. Unless they are on-board with the changes, any initiative will fail.

Engineer the new sales coverage model

The new sales coverage model blends the four primary contact media across the customer life cycle. To effectively determine the contact strategy, a profiling, targeting, and segmentation process must be completed to focus the efforts on the best prospect and customer groups. Once this has been accomplished, the typical buying process of each key market segment should be established. Then the sales process should be matched to the buying process– a big change for most companies. This effort will then call out when each of the four primary contact media should be deployed.

The goal is to direct the limited and expensive face-to-face sales calls toward more "golden moments" and away from calls that could be handled by other contact strategies. The sales people will initially resist this type of direction and loss of control over their activities. But once they realize that they will be relieved of low productivity calls and given more time to for key sales calls, their resistance will fade quickly so long as they are kept informed of other customer contacts. Overall, a game plan on how marketing and sales will share the responsibility of acquiring; growing and retaining customers will logically emerge. Here's an example as to what this might look like (Figure 4.).

Figure 4. Blending of direct marketing and field sales across the customer lifecycle.



Customer Acquisition: (60 percent direct marketing; 40 percent sales). The traditional role of direct marketing has been to generate inquiries, qualify leads and pass them to sales for conversion. There's not much change here, assuming that a lead qualification and development program is in place for marketing to execute. The sales person clearly should be involved in converting the sale and developing the initial customer relationship. As mentioned, in the late 1987, McGraw-Hill reported that it took an average of 5.4 sales calls to close a sale. Most B2B sales managers will contend that this number has increased in the 17 interceding years, and is between seven or eight today. The question to answer is, how many of these sales calls could be accomplished by direct marketing techniques vs. face-to-face sales calls?

Most companies try to eliminate at least two or three calls in the customer acquisition phase. The activity of lead qualification and development results in marketing's handing over to sales people opportunities that are far more qualified and ready to engage in a real purchase than in the old days. These calls are obviously the ones early in the acquisition effort as it is unproductive for sales people to not only make cold calls, but also qualify the inquiries as well. This is an immediate improvement in sales productivity. Not only do sales people have to make fewer calls to close a sale, but they also have freed up their time and sales calls that were devoted to the early customer acquisition calls for more productive sales calls on qualified leads or customers. Don't forget; salespeople have a finite number of sales calls they can make each year, and so a reduction of one call translates to one additional call and hopefully it will be more productive.

Customer growth: (30 percent direct marketing; 70 percent sales). This phase of the customer life cycle is where the sales person plays the most important role. Finding opportunities to up or cross-sell and secure the customer relationship is best placed in the hands of the sale staff. At the same time, there is also a valid role for direct marketing to assume. The sales group should not call upon every customer. In some cases, an inside sales telemarketing effort can team with outside sales to share the contact responsibility. This teaming can be very cost effective while actually increasing the contact frequency for the customer. In addition, the sale person should have identified other decision influencers who also may not be worth the direct sales effort but do need to receive relevant messages and offers from the company. Direct mail or E-mail can play an important role in communicating in a cost-efficient manner to the entire "decision-tree" in the customer growth and retention phase.

Customer Loyalty: (60 percent direct marketing; 40 percent sales). Salespeople can easily take the customer for granted, particularly one that presents no new sales opportunities in the future. In fact, in his book Upside-Down Marketing (McGraw-Hill 1994) George Walther reports that 68 percent of "past customers" said that the reason they stopped buying from the supplier was that they didn't feel "loved" anymore. This response is a direct result of sales people not keeping in contact. They probably didn't think they needed to or felt it was a waste of their time. So, without any other form of marketing communications, the customer felt neglected and stopped buying. This research was, of course, done during the time that salespeople didn't want or even allow marketing to communicate directly to their customers.

Failing to keep in contact is a big mistake as studies have indicated that, on average, 10% of the customer base decays each year. Certainly a dramatic lose for any company. So the question has to be asked; how many of the customers would have "decayed" if better contact were maintained? That is why there is such a large role for direct marketing in the customer loyalty phase; highly targeted and relevant communications can keep up the contact. In addition, as the life cycle of a customer matures to the loyalty phase, many new people and functions can be involved in the consumption of the product or service. Their user experience is based on the current product or service and, at times, this experience becomes "tired" or "old hat" or new users arrive without the prior knowledge as to why this particular product or service was purchased in the first place.

Without an on-going communication program from the vendor to all the decision-makers and influencers, these users can frequently begin to look for a newer and improved version. This can lead directly to a lost customer, and the sad fact is that without on-going contact, the customer is lost before it is even known that they are looking for a replacement. When long-time customer "fires" you, it is a shocking experience and hard to explain to management.

Customer reactivation: (90 percent direct marketing; 10 percent sales). Not many companies focus on past customers even though, over time, they represent a larger and larger group. The salespeople, if new in the territory, may not even know that these companies have bought in the past. We all know that it is easier to sell current customers more products than selling new customers. The same can be said for past customers – it's easier to sell a past customers that new ones. What it takes is information on the past customer, verification of the appropriate contacts, as many have changed, and then a targeted campaign to reactivate old customers. There is high probability that these customers know your company and product so the role a salesperson assumes in minimized. A strong telemarketing program will open up sales opportunities with many lapsed customers.

Overall, a game plan on how marketing and sales will share responsibility of acquiring, growing, retaining and even recapturing customers will logically emerge to form the sales coverage model for each company and market situation.

Execute, measure and adjust

Now comes the hard part– execution. Deploying a new sales coverage model will not be easy or painless. Resistance will come from many people tied to the old methods that, of course, are not working anymore. It will take a very firm resolve of senior management and senior sales and marketing executives to execute the plan. At times, a product or market segment could be used as a beta test, but that means it will take longer to achieve the improved results and increased productivity. Many companies can't afford to wait that long. Changing the basic sales and marketing processes within any company may, in fact, take several years. Whether it's a group or the whole company, it will be critical to institute a measurement system to insure that progress is being achieved. No doubt adjustments will be needed along the way, or in golf terms—play nine and adjust.

Only by real integration of the sales and marketing functions across the entire customer life cycle can B2B firms achieve the improbable goal of selling more by spending less. At that point, real sales and marketing productivity improvements will be seen, with those improvements dropping directly to the profit line.

John M. Coe is President and Founder of the Sales & Marketing Institute. John has a unique background, having 15 years in sales and sales management followed by 20 years in B2B direct and database marketing. He is author of *The Fundamentals of Business-to-Business Sales & Marketing* published by McGraw-Hill in 2003. He can be reached at John.Coe@b2bmarketing.com.