



## **Applying Six Sigma to Marketing to Grow Revenue**

By Laura Patterson, President VisionEdge Marketing

As someone who worked for Motorola from the early 80's until the late mid-90s I had an opportunity to be a part of the Six Sigma Era. Even though Six Sigma as a measurement standard originated in the 1920's, Motorola is credited with applying the methodologies and coining the term Six Sigma.

Six Sigma differs from traditional quality improvement programs in its focus on input variables. While traditional process improvement methods depend upon measuring outputs and establishing control plans to shield customers from organizational defects, a Six Sigma program demands that problems be addressed at the input root cause level, thereby eliminating the need for unnecessary inspection and eliminating the added costs for rework.

The Six Sigma approach identifies and eliminates defects with a structured, data-driven, problem-solving method of using rigorous data-gathering and statistical analysis. The statistical representation of Six Sigma describes quantitatively how a process is performing. To achieve Six Sigma, a process must not produce more than 3.4 defects per million opportunities. The philosophy behind the Six Sigma approach is that if you can reduce process variation you can improve organizational effectiveness and efficiencies.

According to General Electric (GE)--an early adopter of the program--Six Sigma is a "disciplined methodology of defining, measuring, analyzing, improving and controlling the quality in every one of the company's products, processes and transactions--with the ultimate goal of virtually eliminating all defects." Originally used to improve engineering and manufacturing, the Six Sigma approach has expanded to include all aspects of organizational performance.

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

Six Sigma enables companies to improve the marketing's strategic, tactical and operational processes as a way to enhance the top line to drive revenue. By applying Six Sigma to

marketing you can develop a lean efficient marketing workflow, identify leading indicators of growth and become proactive about performance improvement. Measurement of performance is one of the five fundamental phases in the Six Sigma methodology. Once you begin measuring marketing performance, you can begin to make modifications and improvements. Six Sigma provides both a methodology for process improvement and a way to prove its value. These additions are above and beyond the “traditional” Six Sigma approach to cost reduction.

Six Sigma has two methodologies: DMAIC and DMADV. DMAIC is used to improve existing business processes and DMADV is used to create new process or product designs that result in more predictable, mature, and defect free performance. Each methodology includes five steps which we will mention here; however, for the purpose of this article we focus on the DMAIC process.

DMAIC includes five steps: **define** roles, goals, and deliverables consistent with customer demands and the organization’s strategy; **measure** current performance and processes, and collect relevant data for future comparison and improvement, **analyze** the relationship and causality factors; **improve** the process to eliminate defects; and **control and correct** any variances before they result in defects and thereby improve performance. The five steps for DMADV include: **define** the goals of the design activity, **measure** and identify the critical quality, product/process capabilities, **analyze** to develop and design alternatives to determine the best design, **design** the process and **verify** the design. The purpose of these two methodologies is to create a data-driven, systematic approach to solving business problems that will have a positive impact on customers.

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

1. Define: The role of marketing is to create predictable streams of revenue growth by enabling the organization to profitably identify and secure new customers, and to keep and grow the value of these customers. Therefore, a key ingredient in this step is for marketing to establish goals and deliverables designed to achieve these three outcomes. This will require most organizations to broaden the role of marketing beyond sales support and/or marketing communications. To fully realize these three outcomes, marketing will need to provide a broader more strategic role. As a result, the various marketing functions will need to be integrated to create a comprehensive and integrated work flow process. This integrated workflow process will then need to be mapped. Once these three elements are completed, new metrics that tie marketing to the business outcomes must be defined and standardized across the marketing organization for the purpose of providing insight into performance and facilitating strategic decisions. Typically, it will become apparent that new analytical and process-oriented skills will be needed among the marketing personnel.

2. Measure: There is no escaping the fact that to be successful in measurement marketing will need data. Without data, performance cannot be measured and improvements cannot be made. Marketing needs to have access to data about its efforts and expenditures. Marketing will need to have a collaborative relationship with finance, sales, and customer service because these

organizations are often the keepers of critical data related to performance and outcomes. Marketing will also need to deploy tools and systems for capturing and monitoring data. During this step, the team will need to make key decisions related to the data including: how it will be managed, how it will be shared, and what processes will be used for evaluation.

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

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

The metrics should be defined not just in terms of the cost but in terms of how these investments contributed to the company's ability to achieve its goals and generate profitable revenue. The marketing metrics are contingent upon knowing the business outcomes. It is imperative that the business outcomes be clarified and specified before the marketing metrics are established. Business outcomes for example may be related to the specific number of customers to be acquired and at what cost, the specific rate of customer acquisition, the specific lifetime value of a customer, customer loyalty, and specifically how quickly customers adopt new products. By knowing the business outcomes, marketing knows what objectives it needs to achieve and within what parameters. Marketing can now establish the metrics, the performance targets and processes, and measure its performance. Tying marketing metrics to business outcomes forces marketing to transform from a transactional function to a strategic contributor.

3. Analyze: Simply measuring performance will not make it improve. Performance improvement results from deriving insight through the analysis of the data. By analyzing the data and understanding what it means, marketing can determine the degree of impact it is having on the organization, and redesign processes that will improve performance. Creating a dashboard of key business initiatives can help process the data and make it easier to visualize both the impact and opportunities for improvement. Analyzing marketing performance and processes has impact beyond the marketing organization. The analysis may yield information that will impact sales, product development, customer service, accounting, and IT. Marketing exists as a component within the overall company organizational system and changes to this part of the system can serve as a catalyst for changes to another part of the business system. Analysis leads right into the improve step.

4. Improve: The main purpose of applying Six Sigma to marketing is to determine how to improve performance and processes. Data analysis should result in valuable insights that generate possibilities for improvement. These possibilities for improvement can include

enhancements in tools, systems, processes, and skills. A performance-driven marketing organization welcomes opportunities for improvement. Even though change is disruptive, developing new ways to approach the market enables the marketing organization to play a more strategic role.

*[Nota Bene: As you have probably surmised, an organization repeats the Measure-Analyze-Improve steps until the optimal processes are defined and the optimal performance is achieved. These iterated steps enable continuous improvement.]*

5. Change and Control: Because marketing prides itself on its creativity, it has often sacrificed control. But the time has come for marketing to document its processes and best practices and to apply these consistently. The lack of standards control will result in less than optimal marketing execution. An emerging role, marketing operations, provides the organization with a function and people responsible for ensuring that the knowledge gained through process improvement is documented and implemented. Regardless of whether your company establishes this role, it is imperative that the team establish and document the processes and ensure people adhere to them. Even if the organization established this role, everyone on the team needs to be formally trained on the processes and performance metrics. The entire team must understand how the processes enable marketing to demonstrate its value and improve its performance.

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

Marketing has a strategic role in growing revenue. For the marketing team to provide valuable contributions to business profitability they must assume a broader set of responsibilities within the company. One proven method of integrating marketing operations within overall business processes is through Six Sigma and its DMAIC methodology. Six Sigma enables companies to improve the marketing's strategic, tactical and operational processes as a way to enhance the top line to drive revenue. Highly successful businesses that implement Six Sigma methods "report on average 49% higher profits (compounded annually) and 2% higher Compounded Annual Growth Revenue (CAGR) than their peers".