Vlerick Sales Centre Article Summary Series


Summarized By Ellen Croux and Deva Rangarajan, Vlerick Sales Center

Introduction

Senior managers often describe the working relationship between sales and marketing as unsatisfactory, they say the two functions undercommunicate, underperform and overcomplain. When sales and marketing work well together, companies see substantial improvement on performance metrics. However, sales and marketing, more often than not, separate functions within an organization and when they do work together, they don’t always get along. Each group often undervalues the other’s contribution. A study was conducted to identify best practices that could help enhance the joint performance and overall contributions of these two functions. This study led to several conclusions:

- The marketing function has different forms in different companies and at different product life cycle stages
- The two main sources of conflict are economic and cultural.
- Assessing the quality of the working relationship between sales and marketing is not difficult.

Different goals for marketing

The nature of the marketing function varies significantly from company to company. Most small companies don’t establish a formal marketing group, they equate marketing with selling. Eventually, successful companies add a marketing person to help relieve the sales force of some chores. At this stage the relationship is usually positive. As companies become larger, the marketing group tackles higher-level tasks and starts working more closely with other departments. It becomes an independent player and starts to compete with sales for funding. The sales mission hasn’t changed, but the marketing mission has. Brand managers become more powerful players in the organization and they believe it’s essential to transform to a ‘marketing-led company’. As they introduce this rhetoric, others question whether the marketers have the competencies, experience and understanding to lead the company. While marketing increases its influence within separate business units, it rarely becomes a major force at C-level and is more likely to be cut during economic downturns.
Sources of friction

There are two sources of friction between Sales and Marketing, economic and cultural. Economic friction is generated by the need to divide the total budget granted by senior management to support both sales and marketing. Cultural conflict is even more entrenched because the two functions attract different types of people, who spend their time in very different ways.

**Economic**

<table>
<thead>
<tr>
<th>Pricing decisions</th>
<th>Marketing wants to ‘sell the price’ to achieve revenue goals, while the sales force usually favors lower prices to facilitate the sale. Sales also has final say over transactional pricing, while marketing is responsible for setting retail prices.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion costs</td>
<td>The marketing group needs to spend money to create brand awareness, while the sales department often views these large sums spent on promotion a waste of money.</td>
</tr>
<tr>
<td>Product</td>
<td>Marketers release a product whose features have broad appeal, while salespeople often complain the product lacks the features, style or quality an individual customer wants.</td>
</tr>
<tr>
<td>Budget</td>
<td>The allocated budget tends to reflect which department yields more power within the organization. CEO’s tend to favor the sales group when setting the budget.</td>
</tr>
<tr>
<td>Different performance measures</td>
<td>Salespeople are measures based on closing sales, while the marketing departments is devoted to programs, not people, long-term performance measurement is necessary.</td>
</tr>
</tbody>
</table>

**Cultural**

<table>
<thead>
<tr>
<th>Marketers</th>
<th>Highly analytical, data oriented and project focused. Their main objective is to create competitive advantage.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salespeople</td>
<td>Relationship-builders, they spend their time talking to existing and potential customers. Their main objective is to close sales.</td>
</tr>
</tbody>
</table>

**Four types of relationships**

1) **Undefined**: Sales and Marketing have grown independently and are largely occupied with their own tasks and agenda’s. Meetings are likely to be devoted to conflict resolution rather than proactive cooperation.

2) **Defined**: Both groups set up rules and processes to prevent disputes. In general, they stick to their own tasks, but they work together on large events. Meetings become more reflective.

3) **Aligned**: Clear, but flexible boundaries exist between Sales and Marketing. They engage in joint planning and training, especially for important accounts.

4) **Integrated**: Sales and marketing are fully integrated and boundaries become blurred. Both groups redesign the relationship to share structures, systems and rewards. They develop and implement shared metrics and budgeting becomes more flexible and less contentious.
Moving up

Once an organization understands the nature of the relationship between its Sales and Marketing departments, senior managers may wish to create a stronger alignment between the two. However, stronger alignment is not always necessary, but improvement of the relationship between Marketing and Sales is.

From undefined to defined

In small businesses, marketing and sales may enjoy a good, informal relationship. However, when conflicts arise frequently, managers will have to interfere and create clear rules of engagement.

From defined to aligned

When the industry is changing in significant ways, it is necessary to move to an aligned state and jointly add new skills.

Encourage disciplined communication. Organize regular meetings between Sales and Marketing to discuss major opportunities and problems. Both groups need to know when and with whom they should communicate. Systematic processes and guidelines should be developed.

Create joint assignments. Create opportunities for marketers and salespeople to work together. They should get involved in each others’ functions to gain insight and learn from each other. Events and conferences should be planned together.

Appoint a liaison from marketing to work with the sales force. Someone who helps resolve conflicts and shares with each group the tacit knowledge from the other group.

Co-locate marketers and salespeople. When both groups are physically close, they will interact more often and are more likely to work well together. Most companies, though, centralize their marketing function, while salespeople remain geographically dispersed. These organizations need to facilitate communication and create shared work.

Improve sales force feedback. Very few salespeople have an incentive to spend their time sharing customer information with marketers. This is why managers need to ensure that the sales force’s experience can be tapped with a minimum of disruption.

From aligned to integrated.

In complicated or rapidly changing situations, there are good reasons to move Sales and Marketing into an integrated relationship. Processes and systems need to be replaced with integrated processes, metrics and reward systems. Organizations will have to develop shared databases, as well as mechanisms for continuous improvement. The most difficult aspect is changing the culture to support integration.

Appoint a chief revenue (or customer) officer. Integrating Marketing and Sales should have a common objective: the generation of profitable and increasing revenue. In this rationale it is logical to put both functions under one C-level executive. The CRO has control over the forces affecting revenue, more specifically, marketing, sales, service and pricing.
Define the steps in the marketing and sales funnels. Sales and Marketing are responsible for a sequence of activities and events. Marketing usually creates customer brand awareness and generates leads for the sales force; these are the first steps in the buying funnel. Then Sales executes the marketing plan and follows up on leads. This division of labor has merit but also creates significant difficulties. Both departments tend to put the blame on each other when a lead goes cold. Some companies however have integrated Marketing into the sales funnel, this marketing involvement should be matched by involvement of sales in the upstream, strategic decisions the marketing group is making.

Split marketing into two groups. A downstream (tactical) marketing group that uses market research and sales rep feedback to help salespeople develop and qualify leads. The upstream (strategic) marketing group participates in product development by sharing its insights with senior managers and product developers.

Set shared revenue targets and reward systems. A barrier to shared objectives is the issue of shared rewards, more specifically the fact that salespeople operate on commission while marketers don’t. However, an integrated organization can only be successful when Sales and Marketing share responsibility for revenue objectives. Management will have to review the overall compensation policy.

Integrate Sales and Marketing metrics. However well integrated Sales and Marketing are, the company will also want to develop metrics to measure and reward each group appropriately. Sales metrics can also be used for downstream marketers and are easy to define and track. The metrics for upstream marketers, on the other hand will vary according to the type of marketing job. The difference between judging current and future outcomes makes it more complicated for companies to develop common metrics for Sales and Marketing.

Conclusion

Carefully planned enhancements of will bring salespeople’s intimate knowledge of your customers into the company’s core. These improvements will also:
- Help to serve customers better now and build better products for the future.
- Help your company marry softer, relationship-building skills with harder, analytic skills.
- Force your organization to closely consider how people are rewarded.
- Boost your top-line and bottom-line growth.