

CEO TO CEO

Assisting business leaders as they navigate critical passages

November 30, 2009

Sales and marketing is like being a blind man alone in a forest. We can't see clearly what is out there. We don't KNOW what our potential clients know about us, think about us, or believe about us. We may think we know, but we can't read minds en-masse. So we have to grope around. We use surveys, we test our ideas, we measure the results of our actions to try and get even an ounce more of clarity. We collect the experiences of each prospect we meet and try and organize them. We try to talk to prospects that weren't drawn to us to learn what they are thinking.



The INSOMNIA Factor

What keeps CEOs **AWAKE AT NIGHT**
—and what to do about it.

Balancing Sales with Marketing

By Robert Sher

Most of the CEOs I know are addicted; addicted to the daily sales report. I know I was. My excitement was palpable when the numbers were high though it was equally frustrating when they weren't. I could handle a poor day or two, but when a string of dismal daily reports delivered a *dismal month* I'd start to lose sleep. For many, 2009 contained a *string of dismal months*.

Gladly, times are a changin' for the better, and CEOs are starting to spend in an effort to drive the sales numbers up. How will they allocate that spend? A lot of precious cash will be wasted if the budget is not properly balanced between sales on one hand, and marketing on the other. The proper balance between these two VERY different functions varies widely based on industry and product. *There is no "one size fits all"*. But there is just *one* decision matrix I use to diagnose whether the marketing budget is in balance with the sales budget. *Here it is*.

What a messy problem. There is no perfect solution. But 2010 will have a lot of companies gunning their sales and marketing engines. Some will hit tree after tree, being blind in a forest, and will land right back where they started, never finding their way through. Others will listen carefully to the environment so they can gain some clarity, will spend wisely, use business discipline, and break out of the forest into the sunny meadows beyond. This month the Insomnia Factor is about Balancing Marketing with Sales, a common problem I see and often get involved in rectifying.

—Rob

Referral Hall of Fame

Thank you to those that have referred me to a chief executive or a speaking opportunity! *Referrals are how I grow my practice.*

♦ **JP McDermott**, Insurance and Financial Advisor with [Mass Mutual Financial](#) referred me to a CEO.

♦ **Michael Law**, Senior Vice President Group Manager, [First Bank](#), referred me to a CEO.

♦ **Jim Harlow**, Co-Founder, [Net-](#)

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The Sales and Marketing Funnel

The process of identifying prospects and converting them to clients or customers is like a funnel. Marketing activities (advertising, direct mail, pr, e-mails, SEM, SEO) attract people to the company and the product/service. As they identify themselves, they enter the top of the funnel. The top is wide, so there is room for lots of prospects. Once these early prospects are in the funnel, the sales team connects with each one, qualifying them and building interest. Those that can't be qualified or aren't interested get dumped out of the funnel. The remaining ones move down towards the small opening at the bottom. Sales then intensifies its work on those still in the funnel, working with them until they buy. When they buy, they come out of the funnel as a customer.

Funnel Overload? Where?

The first thing I do is to check the loading of the funnel. If it is empty from top to bottom, I know that the company is either unclear about who the customer should be, or is making no effort to market or sell, or an inept one.

If I observe a funnel jammed at the top, but very few prospects in the middle and bottom, I know their marketing is working well, but their sales process is not. The reverse can be true too, with a crack sales team being starved for good leads. This sounds simple to see, and it is, but only if sales processes are measured diligently. Many, many CEOs let their sales teams get away with lax reporting. Metrics are critical, and there should be regular tracking of the number of prospects entering the funnel, moving down the funnel, and converting to customers.



Proper Allocation of Budget

Re-allocating the budget between sales and marketing to get even funnel loading and a steady progression down the sales funnel is one good move to make. Unfortunately, it doesn't address the likelihood that the marketing and/or sales process might be terribly inefficient.

Tried and True Processes Drive Results

Both sales and marketing are 80% science, and 20% art. The sign of a well built sales or marketing process is that both costs and results for each activity are measured. Further, that there is ongoing testing to try process variations in the hope of continually improving. Another objective of testing is to prove that the process is repeatable and scalable.

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For marketing, repeatable and scalable might mean that for every

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1000 e-mails, 7.3% that express interest in us. Or that when we invest \$5,000 per month buying Google keywords, we get \$10,000 in initial orders, and when we invest 20K in Google ad words, we get 38K in initial orders. Or for each speech we give to our targeted audience, we average 25 sign ups on our e-newsletter. For sales, repeatable and scalable might mean that 45% of in-person meetings with prospects result in a request for a proposal, then 37% of those become clients. Or that 60% of new salespeople will produce \$700K in sales within their first six months. All these numbers feels a bit like science, right? As though some sales and marketing *scientist* has run experiments and proven or disproven one hypothesis after another. Good, *that's one of my points.*

Referral Hall of Fame, Continued from page 1

[fuel](#), referred me to a CEO.

- ◆ **Anne Bisagno**, President of [Xantrion](#), connected me to a CFO Brad Carson, who as it turns out, was my student ten years ago in the St. Mary's ExMBA program, who referred me to a CEO who was also a student.
- ◆ **Pankaj Amin**, CEO, [Affinitel](#), referred me to *two* CEOs.
- ◆ **Janet MacAuley**, Principal, [Chrysalis Consulting Services](#), referred me to a CEO.

Presentations

(I'm always interested in speaking opportunities)

- ◆ **Webinar, November 20th, 11 am.** "Delivering Help in your Circle: Strategic Networking for Business Development". Attend while at your desk. Hosted by the B2B Power Exchange. *Video and recording of this will be posted [here](#).*
- ◆ **December 14th, 2:30** I'll be a resource discussion leader for a SF based EO group interested in learning about M&A.

Do You Have a Great Sales & Marketing Executive?

Every company needs a sales and marketing leader that excels at the 80% metric-driven portion of business development success. Companies can't compensate for bad process with a charismatic salesperson or two. Don't get me wrong, the 20% art—the art of the deal, the art of the close, the art of building and maintaining trust are important. Likewise, the power of an outgoing, charismatic sales person is very important. Yet it is not enough for consistent success and growth over time.

A one-time fix of the balance sales and marketing is not enough. The marketing and sales function is a machine that needs tending to all the time. The market and the competition are changing all the time. Predictable sales revenue, and the resulting *restful sleep of the CEO* requires ongoing tending of the processes, making adjustments and tests month after month.

Calling all Manufacturers!

[The Alliance of Chief Executives](#) and I have put together a private group of manufacturing company chief executives who are meeting quarterly to gain fresh strategic insights and ideas by engaging in confidential strategic discussions. The group will be directed by [me](#). The first meeting on November 12, 2009 went well, and we have room for more at our next meeting in the February 2010 timeframe. All industries are included, provided that they manufacture physical goods. *Please let me know if you would like to join, or to nominate a Northern California manufacturing CEO.*

*Robert Sher is principal of CEO to CEO, specializing in assisting CEOs and business leaders as they navigate critical passages. He is the author of *The Feel of the Deal; How I Built a Business through Acquisitions*. He may be reached at Robert@ceotoceo.biz.*

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