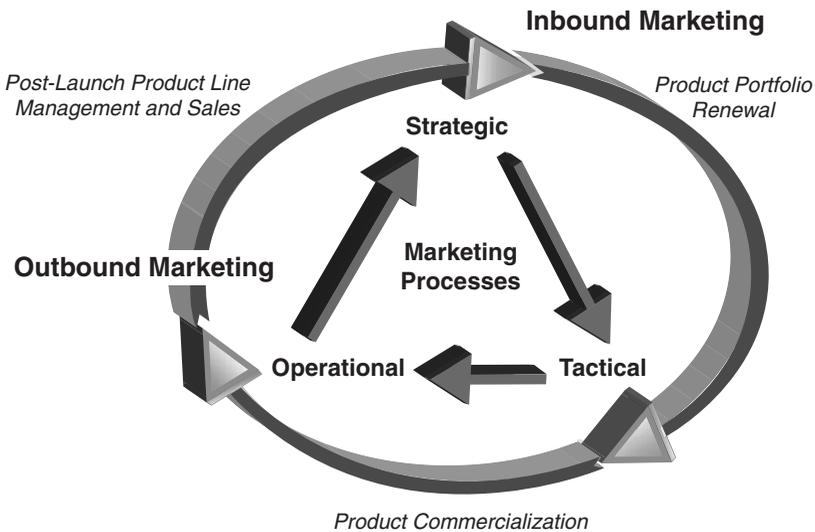


# 1

## INTRODUCTION TO SIX SIGMA FOR MARKETING PROCESSES

*Marketing in Product Portfolio Renewal,  
Commercialization, and Post-Launch  
Product Line Management*



## Growth and Innovation

Imagine the possibilities if you possessed a crystal ball that let you predict the future. You would know what will work and what won't work to create and sustain growth. You would know when to correct for competitive and environmental changes and how to prevent going off-course. Is this a fantasy? Can a business predict (with some certainty) what will drive success and how to stay on the right track? We believe the answer is yes. The appropriate data can inform executives, with high probability, whether the critical elements of the business are performing as planned to achieve desired results.

Performance against plan is how a business typically defines success. Businesses gauge success by a multitude of metrics—revenue, income, profit, customer satisfaction, market share, return on equity, return on assets, return on investments, and so on. Bottom-line, planned success means reaching and sustaining goals over time—usually growth goals. The challenge lies in determining the vital few results to focus on and the critical metrics that best monitor performance. The Fortune 500 list serves as another metric of success. Of the top 100 companies, 70 have been in the top 100 for five or more years. Interestingly, 63% of those 70 companies acknowledge implementing Six Sigma to some degree. Through further analysis, we have found that these same 44 Six Sigma users also reported on average 49% higher profits (compounded annually) and 2% higher Compounded Annual Growth Revenue (CAGR) than their peers. Notice how the profits outpaced the revenue growth for this group of companies. More than likely, they employ the “traditional” Six Sigma cost-cutting approach. Imagine the benefit these firms will enjoy when they also begin to apply Six Sigma to the top line to drive revenue. If they deploy Six Sigma into marketing and sales with as much discipline and rigor as they did to eliminate waste in manufacturing and engineering, these firms' CAGR will outrun their competitors as much as their profits have, and they will easily secure a prominent spot on the Top 100 list for another five or more years.

Benchmarking tells us that successful companies, which effectively implement Six Sigma tools, methods, and best practices find the following benefits:

- **Systematic innovation:** Generate and define more ideas linked with market opportunities in a structured way.
- **Manage risk better:** Identify critical issues early in the commercialization process such that plans can be developed to mitigate or eliminate risk going forward.
- **Higher return yield from a project portfolio:** Avoid overloading resources with too many low-risk, small-gain projects through a discriminating selection process. Select fewer projects—the “best fit” projects, not necessarily the easiest projects.

Business leaders often hold marketing and sales accountable for driving revenue growth—the panacea for most business ills. They want these teams to improve their accuracy rate of committing to, and achieving, their goals. Marketing executives seek new ideas to bolster their success rate. Applying Six Sigma to marketing may be a new approach, but it comes with an “insurance policy.” Six Sigma has a proven track record in other parts of the business. Six Sigma concepts can provide additive elements to increase the competitive advantage marketing needs to act proactively, sustain its positive momentum, and keep pace with the ever-changing landscape.

To tailor Six Sigma to marketing, you start with an overview of how it works. We find that marketing professionals rarely view their own work as process-oriented; it often is depicted as project- or activity-based. However, the American Marketing Association (AMA) defines “marketing” as “a set of *processes* for *creating, communicating, and delivering* value to customers and . . . managing customer relationships in ways that benefit the organization and . . . stakeholders.” The *American Heritage Dictionary* describes a “process” as a “*series of actions, changes, or functions* bringing about a result” and a

“function” as “something closely related to another thing and dependent on it for its existence, value, or significance.” Others define “marketing” as the *process* to identify, anticipate, and then meet customers’ needs and requirements. This definition seems narrow. In a special issue of *Journal of Marketing* (1999, Volume 63, pp. 180–197), Christine Moorman and Roland Rust propose that

**the marketing function should play a key role in managing several important connections between the customer and critical firm elements, including connecting the customer to (1) the product, (2) service delivery, and (3) financial accountability. . . . Marketing’s value . . . is found to be a function of the degree to which it develops knowledge and skills in connecting the customer to the product and to financial accountability.**

Hence, to fully capture marketing’s value, the customization of Six Sigma should span the scope of connecting the customer to the product and to financial accountability.

Moorman and Rust’s research suggests that the value of the marketing function is due to *how well-developed the methodologies are for facilitating the customer-product connection*. Marketing’s customer-financial accountability linkage often is not well understood, but it needs to account for *profitability considerations in attracting and retaining customers*. It is not about cost; it is about profitable growth. Ideally, marketing should effectively and efficiently create and sustain growth for the firm. How is that best done? A challenge is to determine which marketing methodology best facilitates the customer-product-financial linkages. The marketing methodology should nurture and channel the firm’s important creativity and growth capabilities.

The Six Sigma discipline gives business leaders the opportunity to drive more fact-based decisions into managing the business. Six Sigma has been successfully applied to the technical aspects of a

business (such as engineering and manufacturing). A new effort is afoot to bring Six Sigma into the “softer” side of business—marketing. By adding more “science” to the “art” of marketing, the Six Sigma approach can be the next best thing to a crystal ball.

A decision-making process that lacks the appropriate facts causes leaders to fill the void with *intuition*. If facts are absent, statistically grounded probabilities can strengthen decision-making. Marketing executives should shed their use of intuition (or “gut feeling”) to solve business issues and/or drive growth. Columnist and author Marilyn Savant said, “Not knowing the difference between opinion and fact makes it difficult to make decisions. . . .” Intuition sneaks into every business at some point. The objective is to recognize it when it appears and to deal with it directly by using facts to support or deny the “hypothesis.” Bernard Baruch, an advisor to six U.S. presidents, said, “Every man has the right to be wrong in his opinions. But no man has a right to be wrong about his facts. . . .”

The Six Sigma concept has evolved over the past several decades to represent a set of fundamental business concepts that puts customers first and uses fact-based decision-making to drive improvements. It was first used in the U.S. at Motorola to cut costs by reducing variation in manufacturing. This book represents the next evolution of Six Sigma—a marketing application. We believe a unique view of Six Sigma’s techniques and tools can be applied to drive income growth. It is our experience that companies are only beginning to implement Six Sigma to drive sales and marketing; however, the IDEA is increasingly discussed. In the fall of 2005, the Worldwide Conventions and Business Forums (WCBF) held its second annual conference on Six Sigma in sales and marketing. This is a cutting-edge application of Six Sigma.

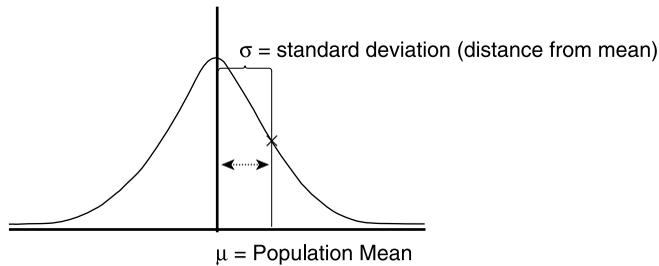
This book focuses on the new frontier of applying the Six Sigma discipline to an integrated, enterprise-wide strategy to create measurable capabilities in sustaining top-line growth. This book can be read on two different levels. First, it introduces marketing managers and executives to Six Sigma (at a high level) and suggests a unique

approach to applying its concepts to marketing. Second, for those familiar with Six Sigma, this book suggests a unique, flexible combination of tools and techniques tailored for marketing. Regardless of which audience you may find yourself in, we trust that this book contains new thinking and practical recommendations that will yield success.

Six Sigma has been successfully applied to engineering and manufacturing. Adding more “science” to the “art” of marketing offers a number of benefits, including project selections aligned with attractive market opportunities, a faster and more accurate product commercialization process, and better cross-functional communication. The Six Sigma approach of using proven tools, methods, and best practices across the entire marketing process can be the next best thing to a crystal ball because, with time and experience, it can deliver more predictable outcomes.

## What Is Six Sigma?

The term “Six Sigma” has several meanings. At the most encompassing level, a corporation can define it as its philosophy—a way of thinking. By doing so, a company’s management structure, employee roles, and operations are defined, in part, by this fact-based discipline. Or it can be defined as a method and tool set—for example, using the Define-Measure-Analyze-Improve-Control (DMAIC) technique to make improvements and solve problems *within an existing process*. Or, at the simplest level, it can be defined as a specific statistical quantity, describing the number of defects produced due to variation in a product or process. Technically, Six Sigma is described as a data-driven approach to reduce defects in a process or cut costs in a process or product, as measured by “six standard deviations” between the mean and the nearest specification limit. “Sigma” (or  $\sigma$ ) is the Greek letter used to describe variability, or standard deviation, such as defects per unit. Figure 1.1 shows a normal distribution of a



**FIGURE 1.1** A normal distribution.

population, with its mean ( $\mu$ ) in the center and a data point on the curve indicating one standard deviation ( $1\sigma$ ) to the right of the mean.

How well a desired outcome (or target) has been reached can be described by its mathematical *average*; however, this may be misleading. The average of a data set masks the variation from one data point to the next. The *standard deviation* describes how much variation actually exists within a data set. An average is mathematically defined as the sum of all the data points divided by the number of data points. This is also called an *arithmetic mean*. The *standard deviation* is calculated as the square root of the variance from the mean.

Why is the number six frequently coupled with the word “sigma”? If a process is described as within “six sigma,” the term quantitatively means that the process produces fewer than 3.4 defects per million units (or opportunities). That represents an error rate of 0.0003%; conversely, that is a defect-free rate of 99.9997%. That’s pretty good, right? Professional marketers can relate to this because they see errors and can exploit the opportunity to reduce variation and its effects on results.

What level of variance (or error rate) in a process should you accept? If the resulting process data is within three standard deviations ( $3\sigma$ ) from the mean, is that good or bad? The answer depends on your business. Let’s say you are in the shipping business, and you experience only a 1% error rate for every million deliveries. Is that good? That translates into a 99% error-free business (or a four-sigma level [ $4\sigma$ ]), or 6,210 defects per million. Is that good? In business

terms, that means 20,000 lost pieces of mail per hour. That could cause some serious customer satisfaction issues. Within other industries, a “four-sigma” performance could mean 6,800 problems with airplane takeoffs per month, or 4,300 problems in common surgical procedures per week, or no electricity for almost 7 hours per month. Remember, the sigma measure compares your performance to customer requirements (defined as a target), and the requirement varies with the type of industry or business.

That is a brief technical description of Six Sigma. The concepts put forth in this book (and the literature) go beyond a mathematical discussion and extend into how companies deploy these statistical tools—as a business initiative. Successfully implementing the Six Sigma approach requires companies to consider changes in methodologies across the enterprise, introducing new linkages. Similar to the Total Quality Management (TQM) initiative, some benchmark companies create new employee roles (such as Black Belt project leaders). Some also institute a new management or organizational structure and new or revised project and operational processes to instill the concept.

Three benchmark examples of how Six Sigma permeates a corporate philosophy and becomes a business initiative can be found by studying Motorola, Allied Signal, and General Electric (GE). Motorola created Six Sigma (largely attributed to Bill Smith) as a rallying point to change the corporate culture to better compete in the Asia-Pacific telecommunications market. At that time, Motorola’s main focus was on manufacturing defect reduction. Allied Signal rebuilt its business with bottom-line cost improvement using Six Sigma. Eventually Allied extended its Six Sigma implementation into its business and transactional processes for cost control. GE revolutionized how an entire enterprise disciplines itself across its operations, transactions, customer relations, and product development initiatives. GE implemented Six Sigma at the Customer for the customer and top-line growth using an approach called Design for Six Sigma, a methodology for product creation and development.

These three benchmark companies are pioneers in the traditional application of Six Sigma. They adhered to the three Six Sigma fundamentals of tool-task linkage, project structure, and, most importantly, result metrics. Before we explore the new growth-oriented Six Sigma for marketing, let's review Six Sigma's original methods (see Figure 1.2). This background information will help you understand how practitioners repair an inefficient or broken marketing process.

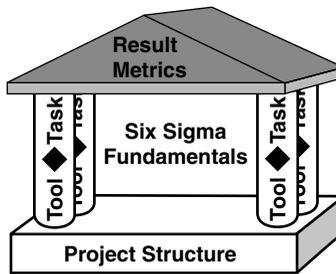


FIGURE 1.2 Six Sigma fundamentals.

## The Traditional Six Sigma Approach

The Six Sigma concept started out as a problem-solving process. The problems generally concerned eliminating variability, defects, and waste in a product or process, all of which undermine customer satisfaction. Six Sigma practitioners call this original method DMAIC (pronounced “duh-may-ick”)—Design, Measure, Analyze, Improve, and Control. The five steps are as follows:

1. **Define** the problem.
2. **Measure** the process and gather the data that is associated with the problem.
3. **Analyze** the data to identify a cause-and-effect relationship between key variables.
4. **Improve** the process so that the problem is eliminated and the measured results meet existing customer requirements.

5. **Control** the process so that the problem does not return. If it does return, it should be controllable using a well-designed control plan.

The DMAIC process is easy to learn and apply. It provides strong benefits to those who follow its simple steps using a small, focused set of tools, methods, and best practices. The original pioneer of Six Sigma, Motorola, used the approach to eliminate variability in its manufacturing process and better meet basic market requirements. Companies that find success in using this approach train small teams to adhere to this approach without wavering in their completion of specific project objectives. These projects typically last six to nine months. Companies learn the DMAIC process and apply the tools much like a well-trained surgical team conducting an operation. They are focused, they are enabled by their project sponsors, and they deliver on the goals specified in their project charter.

The key elements in a DMAIC project are team discipline, structured use of metrics and tools, and execution of a well-designed project plan that has clear goals and objectives. When large numbers of people across a multinational company use the simple steps of DMAIC, objectives and result targets are much harder to miss. If everyone solves problems differently, nonsystematically, they become one-offs. Company-wide process improvement initiatives break down. Cost and waste reduction are usually haphazard. The corporation has difficulty integrating and leveraging the improvements across the enterprise. In this undisciplined environment, cost reduction and control are unpredictable and unsustainable.

Lean Six Sigma modifies the DMAIC approach by emphasizing speed. Lean focuses on streamlining a process by identifying and removing non-value-added steps. MIT pioneered the Lean approach in a manufacturing environment. A “leaned production” process eliminates waste. Target metrics include zero wait time, zero inventory, scheduling using customer pull (rather than push), cutting batch sizes to improve flow, line balancing, and reducing overall process time. Lean Sigma’s goal is to produce quality products that meet

customer requirements as efficiently and effectively as possible. This can be readily applied to the process steps to develop sales collateral or participation in a trade show.

If a process cannot be improved as it is currently designed, another well-known Six Sigma problem-solving approach can be applied. The DMADV process is used to fundamentally redesign a process. Sometimes it may also be used to design a new process or product when new requirements emerge. The five steps are as follows:

1. **Define** the problem and/or new requirements.
2. **Measure** the process and gather the data that is associated with the problem or in comparison to the new requirements.
3. **Analyze** the data to identify a cause-and-effect relationship between key variables.
4. **Design** a new process so that the problem is eliminated or new requirements are met.
5. **Validate** the new process to be capable of meeting the new process requirements.

A second redesign approach has been developed to incorporate elements from a Lean Six Sigma approach—the **DMEDI** process. This methodology is essentially similar to DMADV, but it uses a slightly different vocabulary and adds tools from the Lean methodology to ensure efficiency or speed. The steps are as follows:

1. **Define** the problem or new requirements.
2. **Measure** the process and gather the data that is associated with the problem or new requirements.
3. **Explore** the data to identify a cause-and-effect relationship between key variables.
4. **Develop** a new process so that the problem is eliminated and the measured results meet the new requirements.
5. **Implement** the new process under a control plan.

Whether you use DMADV or DMEDI, the goal is to design a new process to replace the incapable existing process. This is still the classic Six Sigma for problem-solving. The classic methods aim to improve processes and get them under control. They all build on similar fundamentals:

- Tool-task linkage
- Project structure
- Result metrics

Once this is done, however, another form of a Six Sigma-enabled process is required to expand beyond problem-solving.

The new frontier for Six Sigma is in *problem prevention*, which should occur as part of your daily workflow. As they say, an ounce of prevention is worth a pound of cure. Six Sigma for Marketing and Six Sigma for Sales, like Design for Six Sigma and Six Sigma for Research and Technology Development, are structured tools-tasks-deliverables sets for problem prevention during the phases and gates of product portfolio definition and development, research and technology development, product commercialization, and post-launch product-line management processes.

The traditional “reactive” DMAIC and Lean methods should be used for their intended purposes—to reduce variances, cut costs, and streamline processes. We mean no disrespect when using the terms “traditional” or “old-style.” We are trying to define the future of Six Sigma. By necessity, we have to draw a distinction between the original application and a new approach that transcends problem-solving, cost-cutting, and reactive methods. The emerging application of Six Sigma builds on the fundamentals but travels on a different financial journey—seeking top-line growth. Controlling costs is important, but creating sustainable growth is equally important, if not more so. When all you have is a hammer, everything looks like a nail. Use the appropriate tool for a given task. Both the traditional and new Six Sigma methods add value. *Use the right tool, at the right time, to help ask and answer the right questions.*

## Applying Six Sigma to Marketing

Marketing professionals want to avoid suppressing creativity with tools and structure. Process-centric work may at first seem slow, routine, and burdensome. Moreover, marketing may think statistical analysis can dampen spontaneity and innovation. But our experience suggests that the opposite is true. The Six Sigma model described in this book plans for innovation and creativity to occur. If implemented correctly, a proven methodology averts rework (caused by mistakes), ensures completeness, and reinforces quality standards. A well-constructed method that requires improvement should plan for innovation and identify the appropriate participants. Moreover, Six Sigma can help tackle the new, the unique, and the difficult.

Few dispute the value of measurement. However, that which is easily measured rarely produces real or optimal value. Real value comes from measuring what others cannot or will not measure. This brings to mind a lesson from history. In 1726, Benjamin Franklin wondered if that warm swath of water he noticed crossing the North Atlantic had anything to do with the longer times it took to sail from England to the U.S. Franklin's cousin, Tim Folger, a whaler, knew that sailing around the current as if it were a mountain was much faster than sailing directly through the current to Philadelphia. In 1769, Franklin sold charts in London on "how to avoid the Gulph [sic] Stream" that cut westbound travel time up to 50%. To this day, Folger's map is surprisingly accurate. These measures gave Folger's whaling business a competitive advantage and higher revenue margins.

The benefit of integrating Six Sigma into your marketing processes includes better information (management by fact) to make better decisions. Using the more robust approach reduces the uncertainty inherent in marketing—a creative, dynamic discipline. Go-to-market processes with Six Sigma embedded in them can better sustain growth. One way to maintain growth over time is to focus on "leading" indicators of your desired goal. Leading indicators are factors that precede the occurrence of a desired result. Let's say you are concerned about dealing with a weight-induced disease such as a heart

attack or diabetes. You could be reactive by regularly getting on the scale to see how much you weigh. Or you could be proactive by monitoring your caloric intake and burn rate. The latter approach of watching what you eat and how much energy you expend during exercise is harder than simply getting on the scale. The latter approach monitors “leading” indicators—critical activities that occur *before* weight gain. The “lagging” indicator takes a snapshot after the occurrence of an event. Lagging indicators force you into a reactive response if the results fail to meet the target. The act of losing weight may be more difficult than measuring the leading indicators of caloric intake and burn rate. The advice of “pay me now or pay me later” comes to mind.

Business lagging indicators involve measuring defects, failures, and time. Lagging indicators can include functional performance measures such as Unit Manufacturing Cost (UMC), quality measures such as Defects Per Million Opportunities (DPMO), and time-based measures of reliability such as Mean Time Between Failures (MTBF). Lagging indicators for marketing include market share and revenue—common performance metrics. A powerful leading indicator is customer satisfaction *before* a sales transaction (such as satisfaction with an information meeting or advertising piece). Another leading indicator may be the distribution channel’s satisfaction with a product (or samples), whereby the salespeople want to use it themselves. Leading indicators help you anticipate whether you will hit the target. Since leading indicators occur *before* the desired result, you can be proactive in “correcting” poor performance. Armed with this knowledge, marketing can examine initiatives from a different perspective. To drive and sustain growth, performance and quality metrics need to be proactive rather than reactive. (Examples of continuous data include cycle time, profit, mass, and rank [customer satisfaction scores on a scale of 1 to 10]. Continuous variables are more informative and describe a process better than discrete or attribute data. Examples of discrete or attribute data include binary [yes/no, pass/fail] and counts [the number of defects].) Leading-indicator

data, when established as a continuous variable, requires far fewer data samples to draw conclusions and make a decision as opposed to discrete-failure data.

Recall that a marketing methodology should facilitate the customer-product-financial linkages. This requirement seeks a comprehensive scope of marketing's responsibilities from offering inception, through offering development, to the customer experience. This comprehensive scope encompasses a business's strategic, tactical, and operational aspects. Marketing's role in each of these three business areas can be defined by the work it performs in each. This work can be characterized by a process unique to each. These three processes define how marketing's work links the strategic, tactical, and operational areas in a closed-loop fashion, as shown in Figure 1.3.



**FIGURE 1.3** The strategic-tactical-operational triangle.

Let's examine the process that resides in each area. The *Strategic Planning and Portfolio Renewal* process defines a business's set of marketplace offerings. This strategic activity is fundamental for an enterprise, because it refreshes its offerings to sustain its existence over time. Multiple functional disciplines may be involved in this process, or the enterprise may limit this work to a small set of corporate officers, depending on the size of the enterprise and the scope of its offerings. This process generally calls for a cross-functional team composed of finance, strategic planning, and marketing, and sometimes research, engineering, sales, service, and customer support. A business with a unique strategic planning department may use it as a surrogate for the other various functional areas. If this is the case, the strategy office typically includes people with various backgrounds

(research, finance, and marketing). This process can span a year and should get updated on a regular basis. Portfolio planning and management are the foundation from which to build and grow a business. Our experience tells us that successful businesses have marketing play a key role in the Strategic Planning and Portfolio Renewal process. In his book *Winning at New Products*, Robert G. Cooper states

**There are two ways to win at new products. One is to do projects right—building in Voice of the Customer, doing the necessary up-front homework, using cross-functional teams . . . The other way is by doing the right projects—namely, astute project selection and portfolio management.**

Six Sigma can help improve performance in this area.

The *Product and/or Services Commercialization* process defines the tactical aspects of a business. This process defines, develops, and readies a business's offering for the marketplace. The industry, market segment, and size/scale/complexity of the offering dictate the number of functional disciplines involved in this process and the amount of time it spans. The time frame ranges from several months to several years. A business usually manages this process by establishing a unique *project* team to develop a single product or services from the portfolio of opportunities. At a minimum, two types of disciplines are needed—technical functions to drive content and customer-facing functions. The technical experts develop the offering and may include engineering, research, and manufacturing. The customer-facing disciplines represent roles along the value chain that interface with a business's customer or client, such as marketing, sales, services, and customer support. In the Commercialization process, marketing may represent the customer-facing touch points throughout the process and may bring in the other functional areas toward the conclusion of the process in preparation for handoff to ongoing operations.

The *Post-Launch Operational Management* process unifies the operational aspects of a business across the value chain. This process represents long time frames (often years), depending on the life cycle of a given offering (product or service). The offering and go-to-market strategy dictate the variety of functional disciplines involved across the value chain. Again, marketing may play a representative role, integrating multiple functional areas as it manages the product line (or offering) throughout its life cycle.

Marketing professionals typically view their function as a *set of activities* or *projects* rather than a set of processes. It may seem unnatural at first to think about marketing work in terms of a process. However, process thinking provides an easily communicated road map that can describe interactivity with other processes. For example, marketing's tactical Product Commercialization process can cleanly map to the technical community's Product Design and Development process. By creating this linkage, the two functions better understand their interdependency with one another and can speak a common language as the output of one process becomes the input of the other's process. This book is a guide for leaders in the design of Six Sigma-enabled marketing processes.

The book *The Innovator's Solution*, by C. Christensen and M. Raynor, addresses the importance of process thinking. Similar to a business executive forecasting next quarter's performance, the authors ask the reader to predict the next two numbers in two different sequences. The first sequence of numbers is 3, 5, 7, 11, 13, 17, \_\_, \_\_. The second sequence of numbers is 75, 28, 41, 26, 38, 64, \_\_, \_\_. Do you know the answers? Without knowing the process that describes the sequence, you can only guess with little or no certainty. The answers for the first sequence are 42 and 6. This sequence was determined by tumbling balls in a drum being selected for an eight-number lottery winning. The answers for the second sequence are 2 and 122. They were determined by the sequence of state and county roads found along a scenic route in northern Michigan, heading toward Wisconsin. Christensen and Raynor point

out that “results alone cannot predict future outcomes. The process itself must be understood to predict outcomes.” Imagine the increased value that marketing could provide if it could improve its ability to predict the results of its work.

To recap, process thinking is used throughout this book. We explore applying Six Sigma concepts to the work of marketing. Marketing professionals’ work environment on a day-to-day basis is *not* a DMAIC-based workflow structure. Marketing’s work breaks down into the fundamental process of three key business arenas:

- **Strategic area:** The Portfolio Renewal process.
- **Tactical area:** The Commercialization process (commercializing a specific product and/or service).
- **Operational area:** The Post-Launch Line Management process (managing the launched portfolio) and its go-to-market resources throughout its life cycle, across the value chain.

The natural flow of marketing work starts with strategic renewal of the offering portfolios, to the tactical work of commercializing new offerings, and finally to the operational work of managing the product and services lines in the post-launch sales, support, and service environment. Marketing professionals frequently overlook the fact that their contributions are part of a process (or a set of related processes). They view their work as part of a program or project. However, marketing work can be repeated. The time frame for repetitiveness may extend over a year or more, but nonetheless, the work is procedural in nature. (The American Society for Quality [ASQ] defines a process as “a set of interrelated work activities characterized by a set of specific inputs and value-added tasks that make up a procedure for a set of specific outputs.”) Most marketers would agree that “strategic planning” and “launching a product” meet this “process” definition. The Six Sigma approach embraces a process view to communicate its structure and flow of interrelated tasks. Although it may seem unnatural to marketing professionals, the best way to describe Six Sigma for Growth is through a process lens.

The strategic and tactical areas are internally focused; hence, we refer to them as *inbound* marketing areas. External data is critical to successful portfolio definition and development, and product commercialization. However, the output of those processes is intended for internal use. These process outputs are not yet ready for external consumption. The outputs that are ready for prime-time market exposure are part of *outbound* marketing. The operational processes involving post-launch product marketing, sales, services, and support are customer-facing activities. Given the different customers of inbound and outbound marketing, the requirements for each differ. These requirements ultimately define the success (or failure) of the deliverables.

Problems can be prevented in inbound as well as outbound marketing processes. Inbound marketing focuses on strategic product portfolio definition and development, and tactical product commercialization. Inbound marketing can cause problems by underdeveloping the right data needed to renew product portfolios. The data is needed to define specific new product requirements, thereby directing commercialization activities. And inbound marketing data defines launch plans, which determine downstream operational success. You can design and launch the wrong mix of products and hence miss the growth numbers promised in the business cases that were supposed to support the company's long-term financial targets.

Outbound marketing is focused on customer-facing operations. It encompasses post-launch product line management across the value chain (sales and services, including customer support). Outbound marketing can create problems and waste by failing to develop the right data to make key decisions about managing, adapting, and discontinuing the various elements of the existing product and service lines. Outbound marketing also could fail to get the right information back upstream to the product portfolio renewal teams. They need to renew the portfolio based on real, up-to-date data and lessons learned from customer feedback and the marketing and sales experts in the field.

The importance of the comprehensive, closed-loop strategic-tactical-operational scope provided the structural underpinnings used to create the unique Six Sigma methods for marketing. Each of these arenas has a flow of repeatable work—a process context that is quite different from the steps found in the traditional Six Sigma methods. However, the fundamental Six Sigma elements from the classic approaches have been maintained: tool-task linkage, project structure, and result metrics. This new work is made up of specific tasks that are enabled by flexible, designable sets of tools, methods, and best practices. The strategic, tactical, and operational processes within an enterprise align with phases that can be designed to prevent problems—to limit the accrual of risk and enable the right kind and amount of data to help make key decisions. The traditional methods help you improve and redesign your processes and get them under control. If the objective is to renew portfolios, commercialize products, or manage product lines, a different approach is required that employs a different set of steps we call *phases*.

## Unique Six Sigma Marketing Methods

A unique Six Sigma marketing method was created for each of the three areas: strategic, tactical, and operational. The method to guide marketing's strategic work is called IDEA. The approach for tactical work is called UAPL. The method to direct marketing's operational work is called LMAD. Each method has a chapter devoted to it, detailing its unique combination of tools-tasks-deliverables.

The strategic marketing process environment has the following four distinct phases, known as the IDEA process for portfolio renewal and refresh:

1. **Identify** markets, their segments, and the opportunities they offer.
2. **Define** portfolio requirements and product portfolio architectural alternatives.

3. **Evaluate** portfolio alternatives against competitive portfolios by offering.
4. **Activate** ranked and resourced individual commercialization projects.

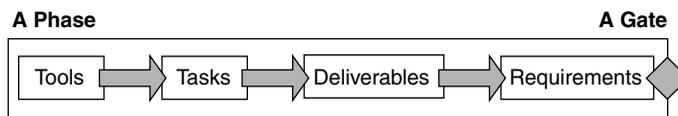
The tactical marketing process environment has the following four distinct phases, defined as the UAPL process for specific product and/or service commercialization projects:

1. **Understand** the market opportunity and specific customer requirements translated into product (or service) requirements.
2. **Analyze** customer preferences against the value proposition.
3. **Plan** the linkage between the value chain process details (including marketing and sales) to successfully communicate and launch the product (or service) concept as defined in a maturing business case.
4. **Launch:** Prepare the new product (or service) under a rigorously defined launch control plan.

The operational marketing process environment has the following four distinct phases. This process is called the LMAD process for managing the portfolio of launched products and/or services across the value chain:

1. **Launch** the offering through its introductory period into the market according to the launch control plan of the prior process.
2. **Manage** the offering in the steady-state marketing and sales processes.
3. **Adapt** the marketing and sales tasks and tools as “noises” require change.
4. **Discontinue** the offering with discipline to sustain brand loyalty.

Each of these processes features distinct phases in which sets of tasks are completed. Each task can be enabled by one or more tools, methods, or best practices that give high confidence that the marketing team will develop the right data to meet the task requirements for each phase of work. A *Gate Review* at the end of a phase is commonly used to assess the results and define potential risks (see Figure 1.4). Marketing executives and professionals find phase-gate reviews an important part of risk management and decision-making. In the post-launch environment, gates are replaced by *key milestone reviews* because you are in an ongoing process arena—unlike portfolio renewal or commercialization processes, which have a strictly defined end date.



**FIGURE 1.4** The tools-tasks-deliverables-requirements linkage.

This book describes how Six Sigma works in the context of strategic, tactical, and operational marketing processes. It focuses on integrating marketing process structure, requirements, and deliverables (phases and gates for risk management), project management (for design and control of marketing task cycle time), and balanced sets of marketing tools, methods, and best practices.

Recall that if a marketing process is broken, incapable, or out of control, you should use one of the traditional Six Sigma approaches to improve or redesign it. This book assumes that the strategic, tactical, and operational marketing processes have been designed to function properly. This book answers the question of *what to do* and *when to do it* within structured marketing processes.

Marketing processes and their deliverables must be designed for efficiency, stability, and, most importantly, measurable results—hence the importance of Six Sigma. We will work within the IDEA, UAPL, and LMAD processes, applying their accompanying tool-task

sets to create measurable deliverables that fulfill the gate requirements. You may choose to call your process phases by different names—that's fine. *What you do and what you measure* are what really matter.

Throughout this book, the word “product” refers to a generic company “offering” and represents a *tangible product* and a *services offering*. This book discusses technology-based products frequently, because of marketing's interdependency with the technical community. In parallel, R&D, design, and production/services support engineering should use growth- and problem-prevention-oriented forms of Six Sigma in their phases and gates processes. The Six Sigma approach serves as a common language between the marketing and technical disciplines. The term “solutions” usually involves both technology and services; thus, “product” and “service” encompass the scope of a given solution. Regardless of the offering, the Six Sigma approach we are outlining is the same and can be applied to either a tangible product or a service offering.

## Summary

Six Sigma for Marketing and Six Sigma for Sales are relatively new approaches to enable and sustain growth. They are part of the bright future offered by adapting Six Sigma to the growth arena. The linkage of Six Sigma for Marketing and Six Sigma for Sales tasks and tools to strategic, tactical, and operational processes is where the Six Sigma discipline adds measurable value to marketing and sales team performance. Marketing and sales professionals can custom-design *what to do* and *when to do it* to fit these three critical marketing process arenas to their organization or culture. This book's concepts can complement your company's unique marketing approach and infrastructure. Why? Because the most important goal is to communicate a common approach to manage risk and make sound, data-driven decisions as you seek to expand the company. An organization can take

license to customize the methodology to fit existing processes, enhancing communication and adoption. A customized application of this book's concepts will work as long as the following are upheld: phase objectives (or requirements), the sequence, tools-tasks-deliverables combinations, and phase-gate reviews. Integrating these methods and concepts into your critical processes with adequate rigor applied to meet deliverable requirements at phase-gate reviews will lead to more predictable outcomes.

Before exploring the details of each strategic, tactical, and operational method for marketing and sales, let's examine two foundational topics that transcend these three areas. The first fundamental subject involves the criticality of reporting and tracking performance and risk. Chapter 2, "Measuring Marketing Performance and Risk Accrual Using Scorecards," introduces a system of scorecards that build on Six Sigma principles to measure marketing's use of tools, completion of tasks, and the resulting deliverables across the strategic, tactical, and operational processes. Chapter 3, "Six Sigma-Enabled Project Management in Marketing Processes," addresses the importance of project management. We suggest adding some Six Sigma tools to the traditional project management body of knowledge to better manage a project and its associated risk.