



## Sales and Marketing: Alike, Different and Essential

“Sales” and “Marketing.” The two go hand-in-hand. In fact, they are often used interchangeably. Yet, they are two different but related and very important functions in today’s organization. In this white paper, I outline key similarities and differences between the two. By defining where they are alike and where they are different, managers can establish clearer and more effective expectations for each.

### **Getting and Keeping Customers: Sales and Marketing Are Key Owners**

When asked the purpose of his business, a friend once replied “to make money.” This is certainly true of any business. However, making money in a business is generally the result of doing many other things well, which suggests at least one other, more fundamental definition. This definition was most succinctly put by Peter Drucker many years ago when he said that the basic purpose of a business is to “create and keep a customer.” The importance of creating customers is obvious. Recent research emphasizes the profitability impact of keeping customers<sup>1</sup> (cite). While getting and keeping customers is “owned” by all functions in a business, it is especially “owned” by sales and marketing.

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**The basic purpose of a business is to “create and keep a customer.”**

Peter Drucker

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### **Marketing and Sales: Alike and Different**

The greatest distinction between sales and marketing is timeframe. Sales focuses on the nearer term; marketing focuses on the longer term. With this distinction in mind, first let’s consider the major things an effective marketing department should focus on:

- Defining which customers/markets to pursue. A business organization cannot serve all potential customers equally well. The marketing function must define which groups or types of customers the business is best able to serve profitably. Though an extreme example, Mercedes and Kia are serving two very different markets. Mercedes would have a difficult time serving the markets Kia pursues and, likewise, Kia would have a tough time being successful in those served by Mercedes.
- Determining how best to serve identified customers and markets. This includes determining, among other things, how to price the product, how to sell the product to the customer (e.g., whether to use direct salespeople, representatives or some other approach, how to integrate the internet) and how much product support is necessary.



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- Ensuring that customers' needs, both present and future, are adequately served. This means making certain customers are satisfied with the goods or services currently provided and looking for ways to further satisfy customers, and keep them buying in the future. This often includes managing the customer satisfaction process, be it formal or informal.
- Seeing that a clear and consistent theme is conveyed to the customer in the most effective way. In the popular jargon, this is called "branding." This covers sales presentations, advertisements, direct mail and brochures and the way customers are handled when contacting the company for information. Too little attention is paid to this consistency. I recently visited a company and met with three vice presidents. Each gave me business cards that were significantly different in appearance. My immediate thought was, "How many other things are inconsistent?" Customers look for consistency. Being inconsistent in the seemingly small things often reflects an inability or unwillingness in the larger things.
- Uncovering prospective customers. Yes, generating leads is an important sales function but it is an even more important function of the marketing department. I say this for several reasons. Many, perhaps most, salespeople are not very effective at generating leads. An effective marketing effort can and should uncover prospects. In some cases, marketing can sell the prospect and in others it "cues up" the lead for the sales organization. An effective prospecting activity makes the sales and marketing functions much more effective.

**Research shows that the average in-person sales call costs almost \$170. Uncovering and qualifying potential customers is a critical marketing role.**

The effective sales organization primarily focuses on:

- Meeting short term "business-getting" goals. Hitting this period's sales and profit targets and getting ready to do the same in the next period.
- Establishing shorter term customer priorities. Determining which customers will be pursued and which will not. These priorities are, or should be, consistent with customers identified as targets in the marketing plan.
- Establishing individual customer tactics and strategies. This runs the gamut from determining how to get an appointment with a key customer or prospect to planning ways to expand an existing customer relationship.



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- Generating prospects who are interested in a company's products and services. There is overlap with the marketing function in this area. An effective sales person should be seeking to build a network of contacts within each customer. This means knowing as much about the customer as possible so that other areas of potential sales opportunity are known.

Lest it be overlooked, both sales and marketing have primary responsibility to make certain sales and profit objectives are achieved. Too often, accountability for achieving sales goals is laid exclusively on the sales function. While sales has primary responsibility, marketing has a significant ownership for this as well. This is where there is, or should be, great similarity between the two functions.

## Things to Consider When Developing the Marketing Plan

As you build your marketing plan and establish expectations for sales and marketing, there are several important things to keep in mind:

- Not all customers are equal. An essential element to effective marketing is to not attempt to be “all things to all people.” Certain external differences in customers can often help define or segment the target customer group. For example, such external differences might be the geographical location of the customer, company size, purchasing characteristics, or product quality requirements.

The best way to fully describe how profitable effective customer segmentation can be is to share an example. One client, Ramsey Products, a manufacturer of chain for demanding drive and transport applications, stays focused on its markets. It looks for those customers who have applications for industrial chain where other types of chain do not work. Over the years, Ramsey has created a successful business by being disciplined and staying focused on this market segment.

- Not all customers are equally profitable. There is also much to be learned about customer segmentation from a company's own internal information. Part of an effective marketing plan is to determine which customers are profitable and which are not. Obviously, “business-getting” efforts should be focused on the more profitable customers. Importantly, management should begin to understand why certain customers are profitable and look for other customers with similar characteristics.

Inevitably, as customers' strategies and managements change, some become unprofitable. Part of marketing's responsibility is to monitor customer profitability and determine appropriate corrective action.

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**A recent client engagement illustrates the fact that all customers are not equally profitable. We found out that 15% of its customers generated 90% of company profits. This is something we see with most clients.**

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Either the business is not performing in a manner consistent with the customer's needs, or the customer is not the right one for the business. In either case, something is wrong with the relationship and it is marketing's responsibility, working with sales, to try and correct it.

One caveat regarding ending customer relationships – be careful. If handled too abruptly or harshly, damage to a future more potentially fruitful relationship may be done. Worse, employees can misinterpret a harsh approach and even handle other profitable customers similarly.

- Customer needs are waiting to be uncovered. A major weakness of many marketing plans is a failure to properly identify present and future customer needs. It is too easy, unfortunately, to become remote from the marketplace and lose the understanding of the customer's real needs. All too often customer needs are assumed without a careful seeking of the facts. Having the facts about customer needs is fundamental to a sound marketing plan.

Thus, market research is appropriate in many situations to develop a better understanding of the marketplace and separate myth from reality. But this is only one approach. Top managers should be meeting with key customers on an ongoing basis to talk about present and future needs *without* a sales objective for the meeting.

- Promotional Mix. Finally, the marketing plan should define the appropriate mix of promotion for the business. There is no magic formula in determining this mix. Rather, attention should be paid to the effectiveness of alternative media versus their economics. In general, markets are becoming more fragmented which suggests more direct approaches such as telemarketing, direct mail or a combination.

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**Part of the promotional mix must be strategies to increase word-of-mouth promotion. A study several years ago at General Electric showed that positive word-of-mouth was far more effective than other promotional efforts.**

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## Conclusion

There are many well known examples of good marketing companies. For example, the names Honda, Anheuser-Busch, Toyota, and Apple Computer come to mind. These companies (and others) share certain important similarities, such as:

- Profitability significantly better than competition;
- An ability to grow even in mature and intensively competitive industries (witness the phenomenal successes of Anheuser-Busch and Honda);
- Not being blind-sided by competition or change; and,



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- Conveying a clear and consistent theme in everything they do. There is no doubt that product quality is a major theme for Anheuser-Busch just as product innovation is for Apple.

Effective sales and marketing planning are both needed in today's organizations. Both are critical to ensuring that the connections with customers are as strong and profitable as can be. An ineffective sales plan coupled with a strong marketing plan may mean that growth objectives are not achieved. A poorly conceived marketing plan along with a strong sales plan may result in good short term sales growth without adequate profitability. Weakness in either area can cause problems in the future. Both are essential to growth and profitability.

*Focus on Change* is a series of informational papers written by The Daniel Group or in collaboration with partners. These papers are designed to describe how the strategic planning and market research services of the firm are applied to improve the performance of a client organization or to discuss issues of importance to middle market companies.

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<sup>i</sup> Frederick Reichheld and Earl Sasser ("Zero Defections: Quality Comes to Services," *Harvard Business Review*, originally published in 1990. Updated in 2000