Building Routes to Customers

Praise for *Building Routes to Customers*

“A key challenge in dynamic and fast changing markets is getting marketing and sales aligned. This book shows how to do this effectively and drive tactical execution better to achieve a dramatic increase in marketing and sales productivity.”

—Ravi Venkatesan, Chairman of Microsoft Corporation (India)

“Routes-to-Market came as a breakthrough for IBM at a very challenging time in our industry. It had a big impact on our bottom line by enabling us to grow sales with a much more cost-effective mix of selling resources. Many companies need to solve that challenge today, before their competitors do. This book shows how to do it.”

—Ned Lautenbach, Partner, Clayton, Dubilier & Rice, formerly Senior Vice President, Worldwide Sales & Services, IBM

“At Adobe we spent millions of dollars with consultants, both large and small. In most cases, a few months later, you couldn’t remember the work they did. RTM was simple yet powerful and had lasting value to the company. It made it possible for each product manager to apply the correct resources and achieve an excellent ROI. Companies without this kind of methodology are flying blind.”

—Kyle Mashima, VP of Strategic Development, Visible Measures Corp., formerly VP of Strategic Development, Adobe Systems Incorporated

“Technology innovation is not limited to the lab or the manufacturing process. Successfully marketing new technologies is about understanding change and helping customers adopt a new technology to create significant business value. RTM is a practical roadmap for maximizing revenue and profitability throughout the entire product life cycle. This book is a must read for anyone looking to drive technology adoption in today’s evolving markets.”

—Joan Jacobs, Executive Director of Itanium Solutions Alliance, formerly Global Alliance Director, Hewlett-Packard

“Routes-to-Market is a great tool for driving expansion into new markets and distribution channels. It also gets all of the management team on the same agenda. RTM has had a very positive impact at Plantronics.”

—Ken Kannappan, President & CEO, Plantronics, Inc.

“Trying to go to market without a detailed route map is like driving cross-country with no directions - the motion feels good until you realize it’s taking longer than you expected and the scenery looks familiar. This book distills the authors’ methodology and best practices and clarifies how marketing and sales can pivot from abstract segmentation and go-to-market planning to pragmatic and tangible implementation steps. Big impact on marketing and sales productivity.”

—Eugene Lee, CEO, Socialtext, Inc., formerly VP Worldwide Small/Medium Business Marketing, Cisco Systems, Inc.

“This book helps solve the marketer’s dilemma: How do you reach your prospects in the fastest, most cost-effective way? Getting it right creates market leaders; getting it wrong relegates good products to the discount bin. IBM and Adobe have already found that Routes-to-Market is critical to their bottom lines; now the rest of us can join the party.”

—Amy Bermar, President, Corporate Ink, The Wall Street Journal
“Top Small Workplaces 2007” Winner

“Sound, practical advice on how to get marketing and sales aligned and performing at their peak.”

—Buell Duncan, Vice President Marketing, IBM Software Group

“Using the Routes-to-Market methodology step by step enabled us to achieve record growth and dramatically turn around Baracoda’s US operations.”

—Alex Guillot, formerly VP Baracoda Americas

“What investments should I make across the channel segments and geos that I am responsible for, to ensure consistently high revenue growth and increasing profitability? The simple but powerful management system presented here can provide the answers to these critical questions, in the midst of dynamic market conditions and shifting strategies. This tool is a requirement for sustaining success in today’s hyper-competitive business environment.”

—Terry Haas, VP International Sales, WatchGuard Technologies, Inc., and
formerly CEO of Solera Networks

“Too many marketing professionals rely upon untested gut instincts and last-of-breed programs when it comes to reaching new prospects. At the end of the day they really don’t know if they’re imitating success or failure. *Building Routes to Customers* demonstrates the power of fact-based marketing to take the art of marketing to new levels, especially for technology marketers in fast-changing markets.”

—Gregory L. Ness, Vice President - Marketing,
Blue Lane Technologies Inc.

“This book is an immensely valuable read. It outlines practical and executable strategies to accelerate and deepen market penetration and success. Our company is seeing powerful results as we begin to implement them. The authors bring their experience and analysis to communicate very tangible steps toward capturing the customer and creating a market win. I highly recommend it.”

—Michael Forney, President, Rosetta Solutions, Inc.

“Most technology companies today seek the magic pill that engenders a productive partner ecosystem. As no such pill exists, leadership must draw a map to the customer through means that are not always obvious. *Building Routes to Customers* illuminates the fundamentals for doing this, based on years of success creating some of today’s most effective partner programs.”

—Lee Finck, formerly VP of Channels, F5 Networks, Inc.

“The greatest need in many companies today is finding a way to maximize their return on investments in products, people and services. In today’s global marketplace of intense competition this has become increasingly difficult to accomplish. Routes-to-Market is a very smart way to make key decisions in marketing and sales – from packaging to demand generation to distribution – to maximize revenue and profitability throughout the product life cycle. Use of a consistent, effective process like Routes-to-Market is key to delivering the revenue and profitability all companies strive to achieve. At HaloSource, we used this process to rework our SeaKlear line of Water Treatment Solutions and have seen consistent, stronger than industry growth in revenue, margins and overall profitability for the past three years.”

—Rick Lockett, Vice President, Water Treatment, HaloSource, Inc.

“We have conducted over 450 Routes-to-Market workshops over the last 10 years with companies of all sizes, from multinational giants to local technology solutions providers, application vendors and system integrators. RTM methodology and tools have been truly transformational for these companies and driven incremental revenues and profits for them. RTM has helped executives align their channels more effectively, interlock sales and marketing to recruit new customers productively, gain speed to market, and redirect their spending to the most qualified opportunities to generate sustainable growth. *Building Routes to Customers* explains how the RTM methodology works and translates into tactical actions that have driven measurable bottom line results.”

—Dhun Zwirble & John Skinner, Co-Founders, Alliances & Channels, LLC

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Building Routes to Customers

Proven Strategies for Profitable Growth

Springer

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Preface

The three authors of this book – Peter Raulerson, Jean-Claude Malraison, and Antoine Leboyer – trained and worked as engineers before taking sales, marketing, and executive roles in information technology companies.

Perhaps that’s why we each saw the need for a practical tool that would be a big improvement over intuition in helping executives decide how much they should spend, and what they should spend it on, to drive profitable growth.

We met together for the first time in Jean-Claude’s office at IBM’s European headquarters in Paris in 1995. Jean-Claude and Antoine had developed a new methodology for determining objectively what to do in marketing, sales, and customer service, by product and market segment, to drive profitable growth. The methodology also helps to align everyone to a common plan and empower them to succeed.

Jean-Claude had named the new methodology “Routes-to-Market” (RTM) when he first envisioned it. The word “route” suggested a path or series of directions that, when followed, would enable people to reach their goals.

Antoine was the first RTM expert. Peter added sales and marketing analytics to the RTM methodology. We worked together to refine and roll out RTM across all of IBM’s divisions and geographies. We saw how the RTM methodology enabled frontline IBMers to make good decisions quickly as a team, and then implement those decisions easily and effectively.

The results were spectacular. RTM transformed IBM’s marketing and sales organizations, which had been the envy of the industry at one time, into a competitive force again.

RTM was designed for IBM, a company of significant complexity. Outside of IBM, we found that RTM delivered big benefits to small or mid-sized companies and ambitious start-ups as well as other large companies. RTM is flexible – it is valuable when used by a single group or at the divisional level, as well as when it is embraced as a corporate standard.

After leaving IBM, Jean-Claude brought RTM to Plantronics. Antoine brought it to Baracoda and, more recently, to GSX. Peter’s consulting firm, The PARA Marketing Group, further refined RTM and introduced it to other technology companies, including Adobe, Canon, Cisco, F5 Networks, HaloSource, Hewlett-Packard, Hitachi, Knoa, Sharp, SumTotal Systems, and Sun Microsystems. Each one benefited from RTM.

Our purpose in writing this book is to share our experience and to enable you to use the RTM methodology in your company. Everything you need to start using RTM immediately is in this book and on the book's website, <http://www.RoutesToCustomers.com>. There you will find more information and tools that can help you get the most out of RTM, available at no charge. You can contact us there if you would like.

Acknowledgments

Thanks to Nick Philipson, Senior Editor, Business and Economics, Springer Science and Business Media, for his consistently cheerful and resourceful responses to our questions, and for giving us actionable feedback and truly helpful direction. Working with Nick has been a great experience.

Thanks to Amy Berman, President of Corporate Ink, for her extra effort in providing a very thoughtful critique, and for inspiration to make the book much more readable.

Jean-Claude, Antoine, and Peter

Thanks to my colleagues around the world who contributed improvements to RTM to make it more and more efficient. Sorry for the frustrations we created when we pushed back. There were many suggestions that we did not implement in order to keep RTM easy to use. Thanks to my bosses for their support, in particular, Ned Lautenbach of IBM and Ken Kannappan of Plantronics. Their expectations forced us to always find a better way to do things. Thanks to my family and my wife Claire in particular for her patience and support.

Jean-Claude Malraison

RTM would never have happened without Jean-Claude's uniquely challenging "can-do attitude." On his team, Nick Coutts provided special support and insight. Many at the Harvard Business School, including Professor Kash Rangan, opened my eyes to the fact that industrial marketing is much more fun than anyone at Procter and Gamble would admit, and that business is such a deeply fulfilling and satisfying activity. My parents and my sister have been the best-seller writers in our family so far, so I am happy to follow in their footsteps. Above all, my thanks go to my family, my wife Margot, and our children Mathilde and Stephane for allowing me to spend time again and again on this manuscript on top of an already busy schedule.

Antoine Leboyer

Thanks to Jean-Claude and Antoine for inviting me to join the original project to refine and roll out RTM in 1995, and the project to write this book in 2007. Great discoveries and improvements invariably involve the cooperation of many minds. Thanks to my clients for the opportunity to contribute to their success, and to my colleagues for their help in fulfilling those commitments. Special thanks to my wife Cleo for the rarest combination of virtues – unfailing support and management expertise.

Peter Raulerson

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Prologue

Bob Wilson joined National Software Corporation as a marketing manager 2 years ago to help launch its new business management software product. The launch was very successful, and sales grew steadily for the first year. However, Bob saw several troubling signs.

Bob's boss, the Vice President (VP) of Marketing, fought with his counterpart, the VP of Sales, over budgets and priorities. National's salespeople complained that the leads generated by marketing were worthless. Bob could see that the salespeople let the leads grow stale or did not follow up on them at all, and that was why sales did not get any value from the leads. Bob tried to work with the salespeople to adjust his demand-generation campaigns to fit their needs, but the lack of alignment at the top of their organizations blocked progress on this.

Another problem that Bob was concerned about was the fact that the VP of Sales had doubled the sales force during the first year of sales for the business management software product, forecasting that revenue would go up accordingly. But revenue had not doubled, and Bob calculated that sales costs were cutting the product's profit contribution in half.

Bob also saw signs that the market had shifted from being interested in the technical features of their product, to asking for information on how National's product fit their business needs. A few salespeople had told him that prospects had asked for information on how customers in their industries were using National's product. When Bob pressed his boss for funding to research the market to determine what customers really needed to know, and to write a case study or whitepaper to meet those needs, he got a flat "no."

Bob's boss told him to continue promoting the product's technology because their product was better than the competition, and they had to promote the product's strengths. He would not allocate any budget for research, new marketing collateral or any of the other initiatives that Bob proposed. Bob suggested using his current demand generation budget to do the research instead of continuing to generate leads that sales ignored, but his boss would not approve that either.

Sales peaked at the end of the first year and then fell for the next three quarters, even though the overall market was reported to be growing 10% per year. In the latest quarter, sales plummeted 25% from the same quarter a year ago, and National reported an unexpected loss.

Frustrated by the leadership vacuum at National, Bob quit. He immediately contacted his friends and acquaintances at other companies, looking for a new position. After a couple of weeks of networking, he got an introduction to Charlie Davis, the CEO of Skyline Software, one of National's direct competitors in the business management software market. Skyline had been growing rapidly. Sales and profits in the latest quarter were up by 18% from the prior year, almost the exact opposite of National's latest quarter.

Charlie scheduled time for Bob to meet with him the following week and asked for a copy of his resume. *Is Charlie going to interview me for a position at Skyline,* Bob thought, *or does he just want to find out what went wrong at National?*

When Bob arrived at Skyline for the meeting, Charlie had two other people in his office but he immediately invited Bob to join them. Charlie introduced Steve Campbell, Skyline's VP of Sales, and Maria Lopez, VP of Marketing. The four of them sat down at a round table in the corner of Charlie's office.

Charlie said, "Bob, I've heard some good things about you. Someone told me that you had lobbied the execs at National to fix alignment and productivity problems in their sales and marketing organizations. It looks like the execs must have focused on other things, based on last quarter's results. We pay a lot of attention to those things here. I wanted to get the four of us together to talk about what we're doing. We're growing fast and need more smart people. Tell us about your experience at National."

This is going to be an interesting meeting, Bob thought. Looking first at Charlie, then Steve and Maria, Bob said, "We, uh, National, that is, hasn't been doing very well lately. Up to nine months ago, we were pretty competitive with you. Our sales and profits were growing about as fast as yours. Our products had a good set of features. Our sales force was hitting their numbers. Then, nine months ago, sales started to slow. It was pretty clear that something in the market had changed. When I ran the numbers, I could see it was going to get worse if we didn't change what we were doing. But the executives couldn't agree on what to do, so they didn't take action. Last quarter, the bottom fell out. Sales fell twenty-five percent and the company lost money. I'd lost confidence in the leadership there, so I resigned."

Bob added, "Your sales jumped eighteen percent last quarter. In a market that's growing only ten percent a year, that's very impressive. Congratulations!"

Everyone smiled. Charlie said, "Thanks."

Maria explained, "A year ago, we realized that the market was going to transition from the technology-savvy early adopters that National and we had been selling to. We knew that the next set of buyers in the market would be mainstream business people who didn't care what kind of technology we had under the hood. They just want to know that the product works for other mainstream customers like themselves, in their own industry. And they need a complete solution – all of the products and services to make it work in their environment."

Bob thought to himself, *At National we were still selling to the tech crowd. Bits and bytes and speeds and feeds. That's what our salespeople were talking about. That's what I was told to put in the brochures and on the website. How did Skyline know a year ago that the market was going to transition to mainstream buyers?*

If I had spotted that at National, could I have gotten management to change what we were doing? Probably not.

Maria turned to Steve, who said, “The transition to the mainstream market is the main reason that we started signing up resellers a year ago. We chose the best resellers in the vertical markets that we decided to target. It took us about six months to recruit them, get their vertical-market expertise added to our product, and help them close a few sales. Our sales started to take off last quarter, just like we planned.”

Bob remembered several conversations at National about setting up a reseller channel. He said, “I think that National is stuck with a direct sales mentality. A few resellers talked to me about opening up distribution, but our sales VP said ‘Not interested.’ The rest of the management team there was focused on adding more technology features, or giving our sales VP more budget to hire additional sales people.”

Charlie picked up the conversation again. “Our sales growth is really just starting to accelerate. There are a lot more mainstream customers coming into the market now, than the early adopters that were buying a year ago. A few minutes ago, you said that the market was growing only ten percent a year. But that’s a number from industry analysts who watch the whole market. We’ve got our own data for the market segments we’re focused on, and their growth rate is going to be sixty percent this year.”

Bob whistled when he heard 60%. He thought, *Penetrating fast-growing market segments before the competition arrives is a great way to grow.*

Charlie went on, “We think the early adopters are pretty much tapped out now – they have either bought already or they are not going to buy. Our goal is to be the number one supplier to the mainstream market. That’s what we’re focused on right now.”

Bob thought, *National missed a big shift in the market and that’s why sales fell off a cliff. I’m glad to be out of there. I really like the way these Skyline people think. And their results over the last year prove they can act. Skyline might be a great fit for me.*

Reflecting Charlie’s last comment, Bob asked, “What are you doing to become the number one supplier to mainstream customers?”

Steve smiled and said, “That’s a good question. One thing we’re doing is expanding the number of complete solutions in our catalog by signing more resellers, especially those in market niches where we don’t have a solution right now.”

Bob thought, *That makes sense, but isn’t the marketing VP normally the person responsible for the product catalog, not the sales VP?*

Maria must have been reading Bob’s mind. She picked up the thread at this point. “The catalog that Steve is talking about is really a lot more than a catalog. It’s our market segmentation – we put customers with exactly the same needs and the same buying behavior in one segment, and customers with different needs and different buying behavior in other segments. Then we design a specific route to each market segment.”

Bob was not exactly sure what the word “route” meant. He looked at Maria and asked, “What’s a route?”

She said, “A route is the combination of resources and activities that take the customer from the beginning to the end of the sales cycle. We’re running three different routes right now in which direct marketing generates demand and telemarketing qualifies the leads that come in, which are then passed to resellers to close deals. They install our software along with other products, and then train and support the customer.”

Maria continued, “For one of the three routes that we’re running now, the direct marketing piece is an invitation to managers in small manufacturing companies to participate in a free seminar on the Internet, which we put on every week. Our telemarketing firm calls the attendees after the seminar to qualify them. They shoot the qualified leads to our five resellers in this segment, who jump on them immediately. This has been really successful for us. In four weeks since we started running this route, our resellers have closed six deals and added twenty more to the pipeline.”

At this point, Bob thought, *That’s amazing – getting six deals in four weeks, plus twenty more deals in the pipeline. This route stuff sounds like it puts together all of the things I thought we should do at National. And it sounds pretty productive. How come the marketing VP knows so much about the sales pipeline?*

Steve put up his hand at this point and said, “We started using an approach called ‘Routes-to-Market’ a year ago. That’s what prompted us to figure out what phase of the life cycle we were in, and when the market would shift to the next phase. We knew that our technology was only going to be innovative for a short time. That’s when the tech heads are interested in it – when it’s really new and innovative. After that point, they move on to the next innovative thing, and our product moves on to mainstream customers, where all the profits are – if we do our job right.”

Charlie added, “The thing that I like most about Routes-to-Market is that it helps us optimize and allocate spending on marketing, sales and customer service. It’s like running a manufacturing plant. In manufacturing, you know how much raw material and components to order, and how to process them in order to produce finished goods at an acceptable cost. With Routes-to-Market, we can determine how much demand we need to generate, and how to connect with those prospects at every step of the sales cycle in order to achieve our goals—revenue, profitability market share, et cetera.”

When Charlie paused, Bob said, “This sounds good to me. I never thought of running marketing and sales like a manufacturing plant. But it makes a lot of sense.”

Bob paused, then went on, “Charlie, Maria and Steve, you keep finishing each other’s sentences. I’ve never seen the CEO and the VPs in charge of marketing and sales aligned like you are.”

They all smiled at Bob’s comments. Maria said, “Our frontline people work in cross-functional teams to plan the routes and execute them. It takes them two to four hours a month to plan and monitor a route. Each team includes someone from product management, sales, marketing, customer service, channel marketing, and finance. If the route involves advertising, our ad agency puts someone on the team. Each person on the team is responsible for their organization’s activity on the route.

Just being on the team aligns everyone pretty quickly. The team prioritizes where to put our limited resources to get the most bang for the buck in marketing, sales and customer service.”

Steve jumped in, “And the teams get smarter every time they plan a new route because they use the results from the last route to fine-tune the new one. It’s a virtuous circle.”

Bob thought, *I think “virtuous circle” means a feedback loop that produces better and better results every time it runs. That sounds like the flywheel that builds up momentum and causes the breakthrough to greatness that Jim Collins wrote about in his book, “Good to Great.” Being part of a company that makes the transition from good to great would be, well, it would be great.*

Bob asked, “So, what challenges do you have, if you’ve got Routes-to-Market working so well at this point?”

Charlie responded, “Actually, one of our challenges going forward is to shift from a single-tier distribution model to a two-tier distribution model. This means adding wholesale distributors to our channel mix. We have to do that in order to expand distribution fast enough to keep up with the growth of the market. And it’s very profitable if we leverage the distributors to keep our costs down. Routes-to-Market helps with optimizing the costs, but we need to monitor the costs to make sure we get all of the savings we planned for. Those savings go straight to the bottom line. Any company that’s spending twenty to thirty percent or more of revenue on sales and marketing can boost profit significantly by making that spending more productive, or by trimming the spending to cut out waste.”

Charlie paused. He had one more point he wanted to make. “Bob,” he said, “there is one more challenge. We’ve got some innovative products in development right now. They’re really innovative, not just updates to what we’re currently selling. The first customers to buy them will be technology-savvy early adopters, just like we used to sell to. When we start selling those products, we’ll have to operate two different go-to-market models at the same time – one to sell our established product to mainstream customers through two-tier distribution, and the other go-to-market model will be to sell innovative technology directly to early adopters.”

Charlie continued, “That’s a really big challenge, operating two different marketing and sales models at the same time. And if we’re going to become the eight hundred-pound gorilla that we want to be, we’re going to need to operate many different go-to-market models at the same time because we’re going to have products in each phase of the life cycle at the same time. Getting the right resources in place, spending the right amount on them to achieve our goals, optimizing across multiple go-to-market models, that’s going to be our big challenge.”

Charlie looked directly at Bob and said, “Is this a challenge you’d like to work on?”

Without hesitation, Bob said, “You bet! I’m really impressed with the depth of your thinking and the way you’re running the business. When can I start?”

Charlie looked at Maria and Steve. They both nodded. Charlie said, “Maria, would you handle the rest of the interviewing process with Bob?”

Maria said, “Yes, I’d be happy to. Bob, let’s go to my office and get started. There are a few more steps before you get to say ‘You bet’ again.” Everyone laughed.

Bob joined Skyline the following week as a marketing manager reporting to Maria. He was given the marketing responsibility for one of the innovative products in development and joined the product’s cross-functional Routes-to-Market (RTM) team. The team included the product manager for the product (who also reported to Maria), the software development project lead, and managers from sales, customer service, and finance.

The team used the RTM methodology to develop the go-to-market plan for the product. Bob became the team’s leader over the next few months as he took them through the steps to research the market, prioritize market segments to target, select the most cost-effective marketing, sales and customer service resources to achieve their business objectives, and develop their tactical go-to-market plan. When they held the tactical kick-off meeting for the extended team, which included all of the people responsible for making their plan successful, the team was so energized by the way that everything had come together, that they stood up and cheered.

When their new product was launched, sales took off like a rocket. Bob’s team became experts in using RTM to maximize the product’s revenue and profitability. It quickly became Skyline’s biggest profit producer. At the end of the product’s first year of sales, Bob was promoted to VP and general manager of the business unit that was formed for that product line.