

Lesson Three: Customer-centered Business Creativity

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A. Key Learning Points

1. Customer satisfaction with your business's current products and services is no guarantee of future customer satisfaction and retention.
2. Creative businesses anticipate the evolving requirements of their customers.
3. Creative businesses learn from customer dissatisfaction and defections.
4. Creative businesses learn from customers who buy from their competitors.
5. Creative businesses focus on and plan for the needs of their future customers.

B. Real World Examples and Considerations for Practitioners

1. Customer satisfaction with your business's current products and services is no guarantee of future customer satisfaction and retention.

The history of business is rich with examples of once popular products and services that sooner or later fell from favor in the market place.

As I write today, Levi's denim jeans is a good example. Not long ago, Levi Strauss was the unquestioned market leader for denim jeans and jackets. Today, they are closing 1/3rd of their plants and struggling to renew the Levi's brand by focusing on dress slacks and casual office attire. Why has this happened? As Levi's wearing baby boomers grow older, jeans no longer rank high among their clothing priorities. Likewise, children of baby boomers don't want to wear the Levi jeans their parents once preferred, they are opting instead for more stylish jeans made by other clothing manufacturers including Guess, Calvin Klein, Hilfiger, Gap, Old Navy, DKNY, Lucky Brand et al. Since 1850, Levi's has ranked among the leaders of American industry. Today, Levi's is in serious trouble – as we, in Albuquerque, know first-hand now that our Levi's plant (along with the Roswell facility) are closed.

Some other once popular products and services that no longer interest many customers include:

- phonographs and LP albums
- typewriters
- unnecessarily large, gas-guzzling automobiles
- fondue and fondue accessories
- washable cloth diapers
- MS-DOS based software applications

Consumer research shows that customers who are satisfied with your product will consider alternative vendors that:

- offer comparable goods for lower prices
- make it easier or more convenient to acquire and use the product
- package and market the product creatively and aggressively
- are recommended by friends and family

Businesses that focus solely on customer satisfaction must continually resell their goods and services to retain their current customer base. They also are more susceptible to price wars that threaten their earnings/profitability.

Businesses that consistently exceed customer expectations, by contrast, achieve a high level of long-term customer loyalty. They also are more likely to charge a premium for their exceptional service quality and achieve higher earnings/profitability.

2. Creative businesses anticipate the evolving requirements of their customers.

The fast food (or quick-service) industry recognizes the importance of keeping pace with evolving customer preferences. The table below is a useful quality tool to map such changes in customer tastes and expectations.

Fast Food Customers – Evolving Requirements Map

Past Customer Requirements (c. 1985)	Current Customer Requirements	Future Customer Requirements
Hamburger/Cheeseburger Fish Sandwich Fries Colas Shakes Clean Restrooms Crayons and Paper for Kids to Doodle Drive-thru	Hamburger/Cheeseburger Chicken Sandwich Fish Sandwich Fries Colas Shakes Salads Veggie Burger Pita and Low-Fat Sandwiches Tacos, Burritos, Chili et al. Bottled Water Clean Restrooms Playland for Children Drive thru	Hamburger/Cheeseburger Chicken Sandwich Fish Sandwich Fries Colas Shakes Salads Veggie Burger Pita and Low-Fat Sandwiches Tacos, Burritos, Chili et al. Bottled Water Clean Restrooms Playland for Children Drive thru Alliance with schools, malls, movie theaters, and sports arenas where food is sold for concessions Alliance with Gas Stations – can get gas, buy convenience store goods, and wash your car Delivery and Catered foods

McDonalds and Burger King’s failure in the 1980’s to keep pace with evolving customer requirements, created great business opportunities for Taco Bell, Wendy’s, and Subway.

3. Creative businesses learn from customer dissatisfaction and defections.

Consumer research shows that:

- One out of four of your current customers are dissatisfied with some aspect of your products and services
- For each complaint you receive, there are 26 other customers with the same complaint who did not bother to tell you.

- It costs a business five times more to replace a dissatisfied customer, than to retain a satisfied customer.

The implications of this research are clear – successful, profitable businesses must seek out sources of customer dissatisfaction prior to customer defection. As such, customers who complain represent a precious opportunity for learning and prioritizing opportunities for continuous improvement and innovation. Unfortunately, too many businesses rationalize customer complaints as exceptions to the norm. Likewise, many businesses become defensive and hostile to customers who, to their credit, took the time and energy to express their dissatisfaction when most other dissatisfied customers simply walked quietly away – forever.

When advising clients about the value of honoring customer complaints, I encourage them to actively look forward to their next complaining customer. This customer should be recognized and appreciated as a precious resource. Who is your next complaining customer? Why are they dissatisfied? What will we learn about our business from their beef? What do we plan to do about it?

4. Creative businesses learn customers who buy from their competitors.

Organizations tend to focus too much on the internal dynamics of their own business and too little on the external factors in their competitive market place.

How many hours each week do you spend thinking about and preparing for external factors that will influence your future competitiveness?

Here are some examples of businesses that failed to focus enough on external market factors:

- The “major” airlines failure to anticipate and learn from Southwest Airlines
- Small, local retail department stores failure to anticipate and learn from Walmart
- IBM’s failure to anticipate and learn from Apple
- Apple, Novell, and Netscape’s failure to anticipate and learn from Microsoft
- City solid waste management departments failure to anticipate and learn from private sector waste management businesses
- Ford, Chrysler, and General Motors failure to anticipate and learn from Toyota, Honda, and Nissan in the 1970s and early 1980s.
- University’s failure to anticipate and learn from community colleges
- Public schools failure to anticipate and learn from private, parochial, and independent schools
- Small local booksellers failure to learn from Borders, Hastings, Barnes & Noble, and Amazon.com
- Compuserve’s failure to learn from AOL
- Howard Johnson’s failure to learn from Holiday Inn

5. Creative businesses focus on and plan for the needs of their future customers.

As the Levi’s example discussed (in 1) above shows, the people who buy from you today may not be the people who buy from you tomorrow. Businesses that fail to anticipate changes in their customer base eventually lose significant business volume and market share.

The table below shows the changing customer base/student population for Albuquerque TVI – a community college. A table like this is a powerful and practical quality tool to plan for future products and services.

Our Students – Past Present and Future

1990 and Before	1999	2005
degree seeking, esp. AAS fulltime low tech	increased student expectations, demands part-time – working, studying, and	home centered learning business centered learning personalized degrees with a core

female – 60% plus main campus 28-29 average age day and evening programs limited choice tradition curriculum traditional schedules traditional teaching decentralized counseling	family increased non-degree increased female – 70% plus higher tech want faster pace, competition increased emphasis on school and professional link more choices more evening and weekend distance learning lifelong learning	program increased part time faculty regional, state-wide students older students increased lab techs increased pcs, high tech work force links open entry, open exit rolling schedules improved student services
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C. Recommended Reading Assignment & Highlights – All selections are from Barker, Paradigms: The Business of Discovering the Future. HarperBusiness (Chapters 7-9)

SO FAR, we understand three principles of the paradigm shift:

1. *Paradigms, even as they are successfully solving many problems, always uncover problems that they can not solve. These problems trigger the search for a new paradigm.*
2. *Paradigm shifters are almost always outsiders – in that they don't understand the subtleties of the prevailing paradigms and/or have no investment in them.*
3. *Paradigm pioneers will never have enough proof to make a rational judgement. They will choose to change the paradigm because they trust their intuition.*

.... Any data that does not fit your paradigm will have a difficult time getting through your filters You are quite literally unable to perceive data right before your very eyes.

“The phonograph ... is not of any commercial value.” -- Thomas Edison, 1880

“Sensible and responsible women do not want to vote.” – Grover Cleveland, 1905

“Who the hell wants to hear actors talk.” – Harry Warner, Warner Brothers, 1927

“I think there is a world market for about five computers.” – Thomas J. Watson, president of IBM, 1943

“There is no reason for any individual to have a computer in their own home.” – Ken Olsen, president of Digital Equipment Corporation, 1977

So, we see best what we are supposed to see. We see poorly, or not at all, that data that does not fit into our paradigm.

What is defined as “impossible” today is impossible only in the context of present paradigms.”

The old rules of manufacturing include the following:

1. *Bigger is better ...*
2. *Long setup or changeover times are a given ...*
3. *Lay out the factory by function ...*
4. *More lead time is better ...*

5. *The measure of productivity is noise and sweat. Keep all the equipment running and people busy at all time.*
6. *Stick to a rigid chain of command ...*
7. *Supervisors' roles are to think and keep people busy; workers' roles are to keep busy and not to think.*
8. *Do capacity planning by visible backlog.*

Now here is the new paradigm of manufacturing.

1. *Make only as much as you need, not as much as you can.*
2. *Economic lot size is what is required by the customer, one or one thousand.*
3. *Eliminate steps and move to a more process flow.*
4. *Measure productivity by total hours and total cost incurred, not efficiency or utilization.*
5. *Lead times are short.*
6. *Brains are best on the line...*
7. *Schedules have credibility, and production fits the schedule.*
8. *Capacity requirements are visible.*
9. *Quality, flexibility, and being on-time are the meaningful measurements of performance.*

We've moved from a capacity-driven to a customer-driven environment.

Without caring, there can be no quality.

The quickest way to kill the human spirit is to ask someone to do mediocre work.

The paradigm shift that Deming and Juran and Crosby and many others began is not just a revolution in manufacturing. It is a revolution in the human spirit. And if we continue along the road they have laid out, we will find excellence must permeate every nook and cranny of our lives. It must impact on, not just what we use in our lives, but how we act in our lives – the warp and weft, the very fabric of how our lives are used.

D. Additional Resources and Links to Others Sources

Gary Hamel and C.K. Prahalad, *Competing for the Future: Breakthrough Strategies for Seizing Control of Your Industry and Creating Markets of Tomorrow*. Harvard Business School Press, 1994

E. Question(s) for Reflection and Discussion

1. Your organization's best customer just called and said she was giving all her business to a competitor. What do you think her reason for the switch might be?