Breaking the Customer's Chains - How to Innovate AND Stay Focused on Your Customer

Wed, 05/20/2009 - 08:27 — Chris



[1]

Summary

- Focusing solely on your customer can stifle growth and innovation
- Leading your customer is possible through a consultative relationship which can help find mutually beneficial ways of increasing profit margin
- Creating a new market for your products or harnessing a new technology can take a completely different business model that the one that made you successful in the first place

Breaking the Customer's Chains, How to Innovate and Stay Focused on Your Customer

How many times have we quality professionals been taught, focus on your customer? Many of the tools we use start with the customer in mind, e.g. process management, kaizen, QFD, Voice of the Customer (VOC), and many more. However, if we only focus on the customer we will miss out on life changing / industry leading innovations.

Possible Case

Imagine that you're providing conduit to the world's largest airplane manufacturer. You're delivering your product on-time, with good quality at a fair price. Your customer is consistently requiring better performance while maintaining or lowering your price. This customer accounts for a large percentage of your revenue, so you do everything possible to keep that customer satisfied.

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A new material is introduced that has all of the same properties of your current conduit material except it's 10% lighter and costs about the same. In order for you to use the material, there will be some upfront costs for re-tooling and process change. The material is new, and has unproven (at least to your customer) quality characteristics and you're having a hard time convincing your customer to make the change, even though, you know over time the material will end up costing less and provide better value because it's lighter and reduces the plane's fuel burden.

Does this sound familiar?

Consultative Relationship

Manufacturers have a difficult time consulting with their customers because, a) it's a foreign business model (we make stuff, offering advice is just part of it, what's the big deal) b) customer's don't look at them as the expert (even though you are), c) they don't have consulting skills on their team (it hasn't been needed before, so why now), and d) change is hard (for both the customer and the supplier).

Consulting or professional services is a special business model just like manufacturing and it requires specific types of people with specialized skills. In order to be perceived as the expert a manufacturer would be wise to carve out a professional services team with the right education, credentials, and subject matter expertise. The team should operate in conjunction with, but independent of the manufacturing team and be a resource that enhances and enables the account team. The only way to change the customer's perception is to change how you do business, change always starts from within.

By positioning yourself as the thought leader and demonstrating your knowledge, it will better enable you to lead your customer. In this case leading them to embrace a new material which will add value to both of your bottom lines. After all, what's good for your customer, is good for you and the reverse is also true.

Diversification

In our example it may be possible to use the new material in a new market or in the creation of a new product. But I know what you're thinking, my current customer is consuming all of my focus, and it would be great to take this to a new market but my resources are consumed serving my current customer. Good point!

A mature business has created a successful business model, and therefore has a product or service that could be considered the 'cash cow' for the company. Because we have a desire to grow the company, we could take some of that cash and invest it in the creation of the new market or product.

In the book, The Innovator's Dilemma by Clayton Christensen [2], the author talks in great detail about ways to break the current cultural paradigm so that the value of the business can be rechanneled into new and innovative growth mechanisms. One such path is to create a separate entity, e.g. a new division or even a wholly owned subsidiary, that can shirk off the restraining processes from the current business and do things in a way that creates a higher probability of success for the new product or market ideas.

Keys to success:

- Make sure the new entity is small enough to promote excitement about small gains. A ten thousand dollar deal may not sound like much to a multi-million dollar deal in the cash cow business, but is equally as important in a start up environment
- Not everything will work. Failure is inevitable, the question will be, how will it be viewed by the business. It would be prudent to develop and embrace some guiding principles about new ideas

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and potential failures for the new entity. Also a timeline would be a good idea so that people know what to expect and can make appropriate decisions.
- Big wins are great but not required. Jim Collins talks about the flywheel effect in his book Good to Great [3]. There is no such thing as an overnight success, accomplishment comes from consistent and constant attention and effort. Often opportunity is not recognized because it shows up in overalls and looks a lot like hard work - Thomas Edison.

Conclusion

We spend a lot of our time tending our cash cow (which is a good thing), however, it can lead us down a path of eventual demise if we don't look for new ways to create revenue. Because customer focus has been a hallmark in the creation of our successful business, we often don't recognize and embrace disruptive technologies because we are trapped in our current system. Creating partnerships with our customers through consultative relationships can help us take advantage of mutually beneficial business changes. And sometimes, we need to diversify to create another 'cash cow' in a completely different way then how we started.

For even more information on this topic, feel free to download the presentation [4] that offers more insight into partnering better with your customer or supplier and diversifying to maximize the likelihood of success in realizing the benefit of a disruptive technology.

- Quality Excellence [5]
- Supply Chain Management [6]

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