



PRODUCT DEVELOPMENT

# Why Is It So Hard To Stay Focused on the Customer?

We're very bright people. We work in companies that are populated with many other very bright people. We've been attending courses and reading books since the mid-1980s that emphasize the importance of focusing on the customer. We've implemented complicated programs to



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facilitate listening to the "voice of the customer." We have positions and departments dedicated to the customer: vice presidents of customer affairs, market research departments that vigilantly track customer trends, and customer response departments. Despite all our efforts, however, we still often fail to make our customers the focus of our efforts.

Since we intellectually realize that customers drive the market and without them, our companies would cease to exist, what fundamental driving forces keep distracting us and our companies from maintaining the focus on our customers?

I would suggest two major factors cause us to "lose our laser-like focus on the customer": 1) we focus on what we want to sell or do versus what the customer wants or needs; and 2) we choose to measure the wrong things.

## Product Focus Versus Customer Focus

Companies can start with a product, for which they seek customers, or with a customer need, for which they devise a product. History has proven that both approaches can work. Fundamentally, to succeed in business requires both a customer need and a product that satisfies it. However, as companies grow, prosper, and acquire investors that focus on returns, the focus often shifts from the customer's needs to the company's or its investors' needs.

It is relatively easy to tell where a company is in this cycle. Ignore the mission statement (most companies have mission statements that tout the importance of the customer). Instead, look to key performance objectives and those of management. Where are these objectives focused? Are they focused on issues that benefit internal departments or investors? If so, is there a direct reason why customers would benefit from meeting these objectives? Wouldn't it be more effective to restate the objectives in more customer-focused terms? If the objectives don't benefit customers, how does meeting the objectives add real, sustainable value to the company?

Examination of objectives can be a brutal exercise if honestly done. Each objective whose sole purpose is to benefit the company's internal reward system or deliver investor returns weakens the company, making it vulnerable to being beaten by a company that focuses on the customer first and manages internal company rewards and investor returns as a byproduct of their customer focus.

## Looking for a Payback from Investments

The objective of project teams often is to find alternate uses for a company's technology or excess capacity. The company effectively decides to pursue what it wants to sell, rather than what its customers need. Sometimes a team is able to effectively blend a technology or capacity objective with customer needs to create a sustainable business. Frequently, the fit between the two is forced.

When the customer's need is the secondary focus of a team, it takes extra effort to find a match between the primary objective, return on investment, and the secondary objective. A team often has considerable resources invested in the project prior to taking it to management for approval. When the project is considered for approval, there is so much invested, both financially and emotionally, it is difficult to make an impartial decision based on the customer. So, the project is completed, not because it is the right answer to the customer's needs, but because management wants to salvage what it can from the significant investment that has already been made.

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## Patents Can Divert Focus Away from the Customer

Consider a company that develops a new technology to meet an important customer need. The company obtains a patent on the new technology and begins to sell the product to customers. Because the company has done an excellent job both of developing the technology and patenting the product, for the duration of the patent the product is the only or best available product that meets the customer's need.

During the design and development phases, the company is focused on meeting the customer's need. After the introduction, the company is focused on recovering their investment from the product. After all, if the company can't make a profit, it can't afford to fund research to solve important customer problems. Years pass, the investment has been recovered, but the product is still sold at a high price, because there is no competitive pressure to force price reductions. The customer's need would be best met by reducing the price, as much as possible, to a level high enough to make a sustaining profit. However, the company has become used to the high profits that maximize investor return.

Eventually, the patent runs out, and competitors swoop into the marketplace and win the battle. The new competitors have two advantages: they are focused on the need to solve the problem as cost-effectively as possible to meet the customer's need for a cheaper product, and they haven't become accustomed to using fat profits to feed company objectives.

### Unnecessary Costs

Customers always need the lowest prices we can deliver while meeting their needs, especially as the economy softens. Thus, anything we do that adds unnecessary costs to our systems interferes with our ability to meet customer needs. It also interferes with our ability to meet internal profit objectives.

Unfortunately, individual department objectives can drive unnecessary costs. Research and development and marketing together have the objective of identifying and designing a product that meets the customer's needs. The objective of purchasing is to reduce the number of items inventoried in plants. They modify the design (ever so slightly) to permit a different ingredient common to multiple items to be used in the new product. Operations requires process changes to meet their objectives, so they also modify the design. Engineering, limited by this year's capital budget, recommends small changes to the equipment package installed. Market research is asked to design a test to determine whether the modified product is as good as the original, but they are limited by budgets as well.

These apparently conflicting objectives could be better met by a better planned, more coordinated effort among departments that is focused on a fuller definition of the customer's needs. Instead, the company bears the costs of design, redesign, test, and retest—costs that are ultimately passed on to the customer, which brings me to the second point.

### **Be Careful What You Measure, Because It Is Exactly What You Will Get!**

Companies, departments, and employees all have objectives that can either focus efforts on the customer or divert efforts to other ends. Nevertheless, in each company, there are a small number of key numerical measures that drive the company focus. Follow the clues offered by your objectives to trace down these crucial measures. Are the measures focused on the primary purpose of a company—to meet customer needs—or on the secondary purpose—to drive profits as a consequence of meeting customer needs? Focus these measures like a laser and make sure you aim the laser in the direction of your customer.

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