



Lean Enterprise Academy

LEA e-letter – 30 October 2007

Thinking back from the Customer

Daniel T Jones

Dear Lean Community Member

Lean thinkers know that you can learn a great deal about an organisation by finding a good spot on the shop floor or office floor (the *Gemba*) from which to spend time observing what is going on. From here you can see just how the work is organised and how management thinks. The shop floor really is a reflection of management.

But there is another very good place where everyone should spend some time observing what is going on – and that is at the point where the end customer buys or uses the product or service. This might be the hospital ward, the call centre handling telecom breakdowns, the supermarket (particularly at the back of the store) or the car dealer. The supply chain really is a reflection of the interface with the end customer.

We have spent a lot of time studying these kinds of situations and it is remarkable what you can learn from this vantage point. Unfortunately most manufacturing folks do not get to see beyond the shipping dock, because what happens downstream is not their responsibility. Likewise those at the customer interface spend little time thinking about the supply chain that feeds them. This is a big mistake, because what happens at the interface with the customer has profound effects all the way back up the value stream and vice versa.

In our experience efforts to spread lean beyond the factory and across the supply chain cannot realise their full potential unless they start by working back from the end user or customer. Developing suppliers upstream from manufacturing is only half the story. It is at the customer interface that the initial Mura (variation not caused by the customer) is created that causes lots of Muri (overburden) that in turn causes all the Muda (waste) throughout the supply chain.

Mura feeds on Mura all the way upstream (triggering the well known Forrester effect) and unless the root causes of Mura are addressed the supply chain will be much longer, less responsive, more expensive and less able to deliver the right products on time. Buffering against Mura upstream helps a lot, but is only a sub-optimal solution. We discovered that you can only really address the root causes of Mura passed upstream by collaborating with those who deal directly with the end customer. The good news is that this actually opens up a very powerful win-win-win opportunity to serve customers better while at the same time improving the efficiency and profitability of the retailer, distributor or service provider as well as the manufacturers up the supply chain.



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This is where value stream managers should begin their work – by thinking back from the customer, understanding the root causes of Mura and working out the win-win-win opportunities for working together with their customers and their retailers, distributors or service providers. There is as much potential for lean dealer/distributor development as there is for lean supplier development upstream.

The new *Creating Lean Dealers* workbook by Dave Brunt and John Kiff is the first step by step guide to unlocking this win-win-win potential. Once you begin measuring real customer fulfilment it is surprising how few cars are serviced and repaired right-first-time-on-time – typically between 30 to 70%. This level of service is very common across industries if you could but see it.

However as almost no attempt is made to diagnose the work to be done until the customer turns up it is not surprising that they then have to scramble to find the necessary parts, have to hold lots of parts in stock, can't really plan the time it will take to do the work and can't streamline the flow of work through the workshop. An unreliable and infrequent parts supply system just adds to the problems.

Turn this round by developing a structured dialogue with customers a few days ahead of their arrival to pre-diagnose the work. This changes unpredictable work into predictable work, for which you can pre-order the kit of parts and accurately plan the time to do the work. This makes it possible to segment the types of work, standardise the sequence and flow cars through the workshop, doubling the productivity of the same staff.

It also makes it possible to order kits of parts for each job as they are needed rather than holding lots of parts in stock. And this signal of true demand makes it possible to create very cost effective rapid replenishment loops back upstream all the way to the manufacturer, with minimum Mura. The end result is 90% plus customer fulfilment, doubled productivity in the workshop and levelled orders making it possible to produce and ship in line with demand.

Creating Lean Dealers shows how this same logic can transform all the other activities of a dealership – from new and used car sales to body shop and customer account management. It will be a wake up call to the auto industry still wedded to customer satisfaction scores and in denial about how poorly their sales and service processes actually perform. But it also has some very practical lessons for many other activities, from sales and service of all kinds of equipment and infrastructure to managing diagnostic and treatment processes in healthcare.

The car dealership turns out to be a great place to learn to see customer fulfilment and what drives the supply chains that feed them. If we are serious about redesigning end-to-end value streams to create more value

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for customers using less resources and generating higher profits we all need to find our own spot at the interface with our customers.

Yours sincerely

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PS. *Creating Lean Dealers* will be available from LEA at the end of next week – from www.leanuk.org