

LEA E-letter 15 April 2005
Going to Market
Professor Daniel Jones

Dear Lean Community Member

After having begun a lean transformation on the shop floor, in the offices, in product development and with suppliers, the next frontier of lean is how to rethink the way we reach and interact with our customers. Mass production was associated with "One Best Way", which was always bigger – bigger machines, bigger factories and bigger warehouses – while its counterpart mass consumption led to bigger retail stores, bigger hub airports and bigger general hospitals. Consultants preached the message of "dominate or die". Scale was everything.

Simple empirical evidence from our own personal experiences tells us that bigger often means longer waits and more frustration as we struggle to find what we want, to get where we want to go, or to access the services we need. Scale means more of your and my time is wasted.

Lean thinkers have also discovered that scale often ends up wasting a lot of employee and management time and cost as well – which the end customer ends up paying for. Extra handling, storage and transport within and between each of those big boxes and layers of staff and expensive computer systems to plan, communicate and expedite these complex movements. They also know that longer throughout times mean poorer responsiveness to the real needs of consumers. Consumers end up getting what the system can deliver. They have little choice because everyone operates this way.

We now know that lean is a very powerful alternative. So what is the right scale for lean and what does the lean route to the consumer look like? In almost every case lean means smaller than today's answer – a row of desk top machines rather than a huge automated line, right sized plants located closer to consumers and smaller cross-docks instead of big warehouses. Systems can be much simpler and capital costs can be cut dramatically. It also means linking every step so that each value stream can respond very quickly and exactly in line with the demands of consumers.

But there is not just one type of consumer any more, neatly defined by their income level, their job or where they live. Indeed what distinguishes today's consumers is that their demands vary during the week or during the year depending on their circumstances. Look around and you will see it is happening already. We increasingly use convenience stores and home shopping as well as high street stores and out of town supermarkets. We also eat out more and use take-outs instead of cooking at home. We are using medical help lines and pharmacies as well as going to the local doctor or to the general hospital. In future some of us will also buy home diagnostic equipment and subscribe to internet health monitoring systems. Routes to market will multiply to match these consumer circumstances. The balance between them will also reflect the growing need to save consumers' increasingly scarce time.

We now know quality does not cost more. We are discovering that if you build the right routes to customers, better convenience and customer service does not cost more either. In fact it can turn out to be a win-win-win for consumers, employees and managers. But most manufacturers are quite unprepared for this and are still wedded to preserving one sales channel to dispose of the products they made to forecast months ago.

A first step is to recognise the different ways in which customers can access and use your products today. Consumers needing a piece of construction equipment can buy off the dealers lot from stock, can order a precise specification on line, can search for second hand equipment or rent one from a rental company. The demand characteristics of each are very different, though this is hard to see when filtered through a multi-tiered distribution channel and scrambled together in a production planning system. We need to see the different ways in which similar products flow towards the consumer and manage them differently.

A second step is to map the process these different consumers have to go through to select, obtain, operate and maintain the product. Mirror this with the map of all the steps you and your retailers or distributors have to go through to serve these consumers. This will reveal the many opportunities for removing the hassles, wasted time and cost for both the consumer and the provider. It may also be the first step towards building a dialogue with key customers so you can smooth current orders and plan future needs, to mutual benefit.

A third step is to think through the alternatives you could offer consumers in the future. For instance, sending contact lenses directly to their home as well as through the optician or supermarket or even selling right sized equipment to make them in the local pharmacy or the clinic. If you don't someone else surely will.

Manufacturers in high wage locations are only going to survive if they are able to respond very quickly to the precise needs of local consumers, if they can leave out layers of cost in getting products into the arms of consumers and if they can match the products and services they offer to the different circumstances in which consumers find themselves in. In particular if they can save consumer's valuable and increasingly scarce time. The one advantage they have over more distant competitors is being close to their most sophisticated consumers – indeed being one of them in their private lives! Outsourced customer service and long distribution chains take us in the wrong direction. Future opportunities for growth are all around us – if only we open up our minds to see them. But there will be several promising alternatives and not just one best way.

Yours sincerely

Daniel T Jones
Chairman
Lean Enterprise Academy
dan@leanuk.org